JPRS-EEI-85-050

21 May 1985

East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

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EAST EUROPE REPORT

ECONOMIC AND INDUSTRIAL AFFAIRS

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INTERNATIONAL AFFAIRS

YUGOSLAV-CZECH COMMODITY LISTS, 1981-1985

Belgrade SLUZBENI LIST SFRJ in Serbo-Croatian No 10, 15 Nov 84 Medjunarodni Ugovori pp 478-479

[Text] List A/1981-1985. Exports From the Socialist Federal Republic of Yugoslavia to the Czechoslovak Socialist Republic

In thousands of dollars

No	Product	Unit of Measurement	1981 Quantity	1981 Value
1	Farm products and processed foods, including fresh fruit, vegetables, prunes and seed			6,000
2	Canned fish products			4,000
3	Tobacco and tobacco manufactures			20,000
4	Wine			1,000
5	Broom straw			1,500
6	Veneer and wood sheets			9,300
7	Miscellaneous papers, cardboard and paper containers			1,000
8	Bauxite	Tons	150,000	
9	Chromium ore concentrate	Tons	15,000	
10	Electrolytic zinc	Tons	5,500	
11	Zinc powder	Tons	3,000	
12	Rolled and drawn aluminum products, including aluminum tubing	Tons	2,000	
13	Rolled and drawn copper and brass products	Tons	1,000	
14	Miscellaneous chemical raw materials and products, including chemicals for plant pest and disease control, chrome pigments, ethylene chloride, etc. (in amounts by agreement between the interested economic organizations)			19,000
15	Exchange of chemical raw materials and products, including			5,100
	Phosphoric acid	Tons	5,000	
	TDI [Toluene Diifocyanate]	Tons	--	

List A/1981-1985 (continued)

No	Product	Unit of Measurement	1981 Quantity	1981 Value
	Polyols	Tons	1,500	
	Propylene oxide	Tons	500	
16	Miscellaneous pharmaceutical raw materials, products and drugs, including veterinary preparations			10,000
17	Miscellaneous products of power machinebuilding, including telephone cable			10,000
18	Passenger automobiles	Units	2,000	
19	Machines and equipment, including machine tools, tractors, agricultural machines, watercraft, construction and highway machines, machines for the food processing industry, countertrade for power plants and other capital investment projects, parts and other machines			81,000
20	Railroad car trucks			5,000
21	Parts and accessories for motor vehicles			10,000
22	Gears			6,300
23	Tools and instruments			2,000
24	Miscellaneous metal products, including rolling-element bearings, typewriters, plumbing fittings, etc.			1,000
25	Castings and forgings			10,100
26	Storage batteries			3,000
27	Tires for motor vehicles and technical rubber			2,500
28	Exchange of products of ferrous metallurgy			10,000
29	Textiles and textile products			20,000
30	Hemp and tow			2,000
31	Leather footwear and other leather products			5,000
32	Consumer goods, including housewares			15,000
33	Viscose fiber and silk	Tons	3,000	
34	Electrocorundum			2,000
35	Exchange of building materials, including asbestos-cement products			6,000
36	Delivery within the framework of industrial cooperation			30,000
37	Delivery within the Danube-Tisa-Danube arrangement			5,500
38	Delivery under the NK arrangement			50,000
39	Delivery under the aluminum arrangement			--
40	Delivery confined to Yugoslav stores in Prague and Bratislava			3,000

List A/1981-1985 (continued)

No	Product	Unit of Measurement	1981 Quantity	1981 Value
41	Cooperation in agriculture (UPI--Sarajevo, "Agrokomerc"--Velika Kladusa and others) with "Transakt"--Prague			6,000
42	Transportation services, including petroleum pipeline			130,000
43	Tourism			20,000
44	Miscellaneous invisible payments			38,900
45	Miscellaneous			6,000

No	1982 Quantity	1982 Value	1983 Quantity	1983 Value	1984 Quantity	1984 Value	1985 Quantity	1985 Value
1		6,000		6,000		6,000		6,000
2		4,000		4,000		4,000		4,000
3		20,000		20,000		20,000		20,000
4		1,000		1,000		1,000		1,000
5		1,500		1,500		1,500		1,500
6		9,300		9,300		9,300		9,300
7		1,000		1,000		1,000		1,000
8	150,000		150,000		150,000		150,000	
9	15,000		15,000		15,000		15,000	
10	5,500		5,500		5,500		5,500	
11	3,000		3,000		3,000		3,000	
12	2,000		2,000		2,000		2,000	
13	1,000		1,500		2,000		2,000	
14		19,000		19,000		19,000		19,000
15		8,100		8,100		8,100		8,100
	5,000		5,000		5,000		5,000	
	1,500		1,500		1,500		1,500	
	1,500		1,500		1,500		1,500	
	--		--		--		--	
16		10,000		10,000		10,000		10,000
17		9,500		8,500		8,500		8,500
18	2,000		2,000		2,000		2,000	
19		84,000		88,000		90,000		97,000
20		8,300		13,200		--		--
21		11,000		11,000		12,000		13,000
22		6,300		6,300		6,300		6,300
23		2,000		2,000		2,000		2,000
24		1,000		1,000		1,000		1,000
25		11,500		12,600		14,000		15,000
26		3,000		3,000		3,000		3,000
27		2,500		2,500		2,500		2,500
28		10,000		10,000		10,000		10,000
29		20,000		20,000		20,000		20,000

List A/1981-1985 (continued)

No	1982		1983		1984		1985	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
30		2,000		2,000		2,000		2,000
31		5,000		5,000		5,000		5,000
32		15,000		15,000		15,000		15,000
33	3,000		3,000		3,000		3,000	
34		2,000		2,000		2,000		2,000
35		6,000		6,000		6,000		6,000
36		30,000		30,000		30,000		30,000
37		5,500		5,600		5,600		5,500
38		50,000		50,000		50,000		50,000
39		6,600		13,200		26,400		40,600
40		3,000		3,000		3,000		3,000
41		6,200		6,200		5,300		4,400
42		130,000		130,000		130,000		130,000
43		20,000		20,000		20,000		20,000
44		31,700		17,400		10,000		10,000
45		6,000		6,000		6,000		6,000

List B/1981-1985. Exports From the Czechoslovak Socialist Republic to the Socialist Federal Republic of Yugoslavia

In thousands of dollars

No	Product	Unit of Measurement	1981	
			Quantity	Value
1	Coking coal	Tons	600,000	
2	Rolled and drawn products of ferrous metallurgy, including intermediate products	Tons	55,000	
3	Miscellaneous products of ferrous metallurgy		5,500	
4	Machines and equipment, including capital investment projects (construction of the "Sabac" and "Pozarevac" sugar mills), machine tools and roadbuilding machines, tractors, agricultural machines, parts (including parts for railroad cars) and other machines		113,000	
5	Miscellaneous products of the electrical products industry		1,000	
6	Miscellaneous metal products		1,500	
7	Trucks and special vehicles		20,000	
8	Passenger automobiles	Units	7,500	
9	Parts for highway vehicles and tractors		10,000	
10	Rolling-element bearings		3,000	
11	Tools and instruments		4,000	
12	Miscellaneous pharmaceutical raw materials and products		1,100	

List B/1981-1985 (continued)

No	Product	Unit of Measurement	1981 Quantity	1981 Value
13	Miscellaneous chemical raw materials and products, including monoethylene glycol, resin and pigments, products of inorganic chemistry, polyethylene and polypropylene, etc. (in amounts by agreement between interested economic organizations)		32,000	
14	Exchange of chemical raw materials and products, including:		5,500	
	Ammoniates	Tons	10,000	
	Propylene	Tons	4,500	
	Ethylene oxide	Tons	500	
15	Synthetic rubber	Tons	1,500	
16	Motor vehicle tires and technical rubber		2,500	
17	Raw and fired clay	Tons	27,000	
18	Kaolin	Tons	35,000	
19	Exchange of building materials, including asbestos-cement products			7,000
20	Glass products, including fiberglass			4,000
21	Exchange of products of ferrous metallurgy			10,000
22	Textiles, footwear and production supplies			25,000
23	Consumer goods, including motorcycles			16,000
24	Wood products			8,000
25	Pulpwood			6,000
26	Miscellaneous papers, including scrap paper and kraft paper			3,000
27	Delivery under industrial cooperation			30,000
28	Delivery under the NK [Further expansion unknown] arrangement			40,000
29	Delivery under the aluminum arrangement			28,900
30	Cooperation in agriculture (UPI--Sarajevo, "Agrokomerc"--Velika Kladusa and others) with "Transakt"--Prague			11,500
31	Transportation services, including gas pipeline			100,000
32	Tourism			2,000
33	Miscellaneous			2,000

No	1982 Quantity	1982 Value	1983 Quantity	1983 Value	1984 Quantity	1984 Value	1985 Quantity	1985 Value
1	600,000		600,000		600,000		600,000	
2	55,000		55,000		55,000		55,000	
3	5,500		5,500		5,500		5,500	
4	133,000		139,000		144,000		151,000	
5	1,000		1,000		1,000		1,000	

List B/1981-1985 (continued)

No	1982		1983		1984		1985	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
6	1,500		1,700		1,800		2,000	
7	20,000		20,000		20,000		20,000	
8	7,500		7,500		7,500		7,500	
9	11,500		12,000		12,000		12,500	
10	3,000		3,000		3,000		3,000	
11	4,000		4,000		4,000		4,000	
12	1,100		1,100		1,100		1,100	
13	32,500		32,500		32,500		32,500	
14	8,000		8,000		8,000		8,000	
	10,000		10,000		10,000		10,000	
	10,000		10,000		10,000		10,000	
	500		500		500		500	
15	1,500		1,500		1,500		1,500	
16	2,500		2,500		2,500		2,500	
17	27,000		27,000		27,000		27,000	
18	35,000		35,000		35,000		35,000	
19		7,500		8,000		9,000		10,000
20		4,100		4,200		4,200		4,200
21		10,000		10,000		10,000		10,000
22		25,000		25,000		25,000		25,000
23		16,000		16,000		16,000		16,000
24		8,000		10,000		10,000		10,000
25		6,000		6,000		6,000		6,000
26		3,000		3,000		3,000		3,000
27		30,000		30,000		30,000		30,000
28		40,000		40,000		40,000		40,000
29		28,300		20,600		26,400		40,600
30		10,500		9,500		8,500		8,500
31		100,000		100,000		100,000		100,000
32		2,000		2,000		2,000		2,000
33		6,000		6,000		6,000		10,000

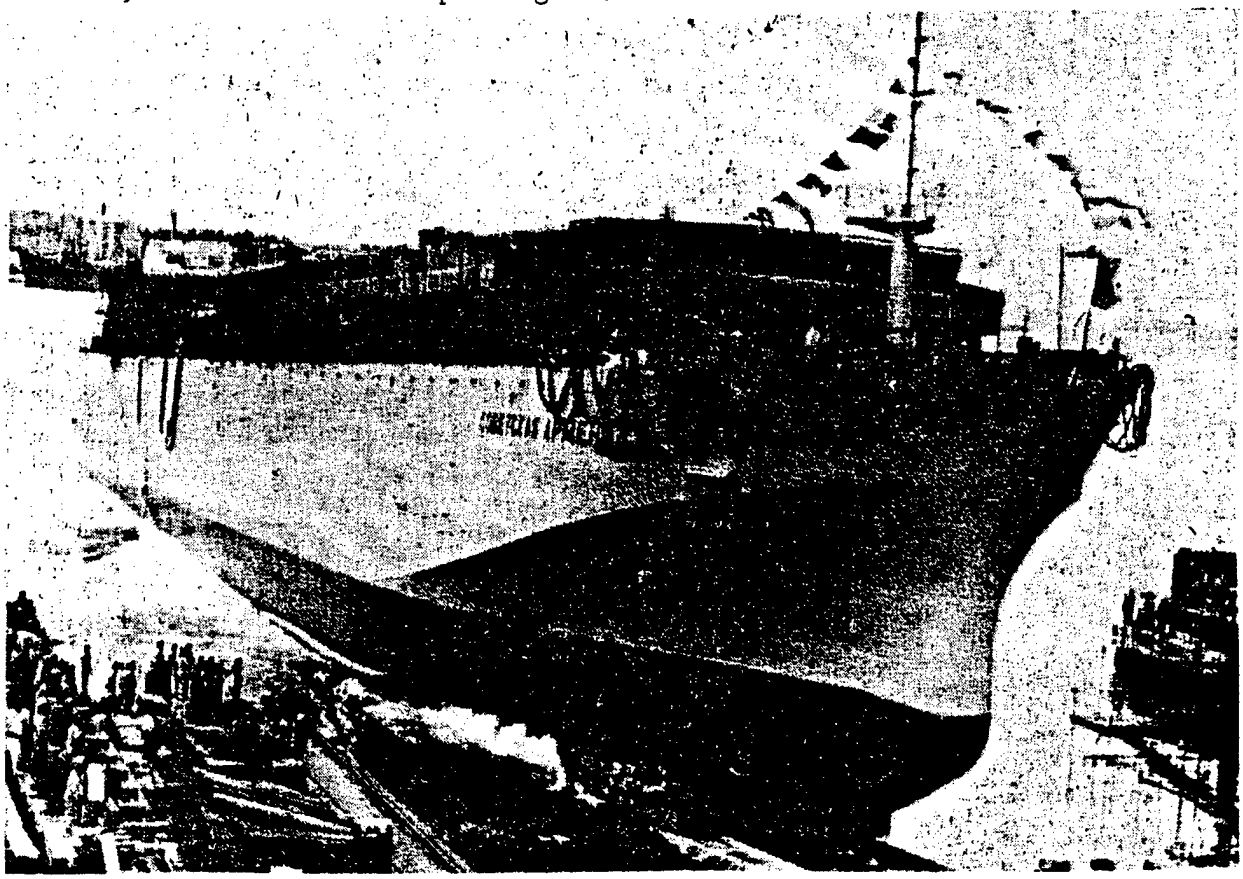
7045
CSO: 2800/287

INTERNATIONAL AFFAIRS

SHIP FOR USSR LAUNCHED IN SFRY SHIPYARD

Zagreb VJESNIK in Serbo-Croatian 28 Apr 85 p 3

[Text] Pula--On Saturday morning the ship Sovetskaya Armeniya was ceremonially launched at the Uljanik Shipyard. The ship was built by the Pula shipbuilders for Sudoimport of Moscow. Immediately after the launching the keel for another such ship for the same customer was laid on the drydock. The Uljanik Shipyard has an agreement with Sudoimport to build eight similar ships. Last year two ships were delivered, in 1985 there will be three, and next year an additional three. The ships are intended to transport automobiles, railroad cars and passengers.



[Photo caption: The launching of the Sovetskaya Armeniya.]
CSO: 2800/311

BULGARIA

INDUSTRIAL COOPERATION WITH NORTH KOREA OUTLINED

Sofia ELEKTROPROMISHLENOST I PRIBOROSTROENIE in Bulgarian No 2, 1985 p 38

[Article by S. Popov: "Cooperation with the Democratic People's Republic of Korea in the Field of Machine Building"]

[Text] The 14th session of the Consultative Commission on Economic and Scientific-Technical Questions between the governments of the Bulgarian People's Republic and the DPRK took place from 15 to 20 October in the city of Pyongyang. The Bulgarian government's delegation was headed by Comrade G. Karamanev, vice chairman of the Council of Ministers and minister for production and commodity trade.

Special attention was devoted, at the meetings conducted with our Korean partners, to the fulfillment of resolutions which arose from the negotiations of the party and state delegations of the Bulgarian People's Republic, headed by general secretary of the Central Committee of the Bulgarian Communist Party and chairman of the State Council, Comrade Todor Zhivkov, with the party and state delegation of the DPRK, headed by general secretary of the Central Committee of the Korean Labor Party and president of the DPRK, Comrade Kim Il Sung, conducted in Bulgaria in June of 1984.

During the session, special attention was paid to cooperation between the Bulgarian People's Republic and the DPRK in the field of machine building, which in the last few years has been developing in an extremely intensive way.

The basic directions in cooperation between the BPR and the DPRK in the field of machine building are the following:

1. In the area of motor trucks:

In fulfillment of the agreement signed in 1983 on industrial cooperation in the production of trucks, a trade agreement was signed in 1983. In 1984, an agreement was signed for servicing motor trucks produced in the DPRK; this agreement resolved a number of questions connected with the realization of the original agreement.

The tasks which remain to be resolved by both sides are connected with the training of necessary cadres in the DPRK, as well as with opening a service bureau.

2. In the field of computer-controlled metal cutting machines:

An agreement was signed in 1984 for the transferral of technical specifications and provision of technical assistance in the adoption of the SP-503 type lathes for production in the DPRK.

On our part, offers were made for supplying another machine building production from the DPRK. The question of supplying the DPRK with the control-measurement apparatus, necessary for service maintenance of the computer-controlled metal cutting machines supplied to the DPRK, remains to be solved.

3. The activity of the Druzhba Joint Institute:

In fulfillment of the agreement, signed 30 June 1983, for creation of the Druzhba Joint Design Institute, a work plan for cooperation during 1983-84 was affirmed.

The first meeting of the leadership of the Druzhba Joint Institute was held 8 to 15 October 1984 in Pyongyang. Work that has been completed thus far was noted, and a plan was agreed on for the 1985-86 period. The basic directions for cooperation in the 1986-90 period were defined, including the development and implementation of automated control systems of machine building enterprises in the DPRK; working jointly to develop and perfect the existing system and to design new telemetric systems for the DPRK's electric power supply; development and production of junctions and power blocks, which are necessary for operational support of the telemetric system in the DPRK's electric power supply.

4. In the field of computer technology:

Cooperation between the two nations in the field of computer technology has been developing successfully. In 1984 it was agreed to study the possibilities for the BPR to offer the DPRK technical assistance in organizing the production of electronic calculators.

5. In the field of electrotechnical industry:

In fulfillment of the resolution of the 13th session of the Consultative Commission for providing technical assistance in improving the quality of transformers and electric motors produced in the DPRK, an agreement was reached for the Bulgarian side to offer this technical assistance.

6. In the field of ship building:

Offers were exchanged for mutual supply of packages of machines and equipment for ships and for cooperation in production during the 1985-90 period.

We await a meeting between Bulgarian and Korean specialists, which will agree on a program for cooperation in this area.

7. In the field of heavy machine building:

In fulfillment of the resolution of the 13th session of the Consultative Commission, possibilities were to be studied for cooperation in the production in the field of heavy machine construction. In connection with this, the Bulgarian side sent specifications for production in the DPRK and for supply to the BPR of junctions for conveyor belts for open mining of coal.

All the technical questions on cooperation in the production of conveyor belts for open mining of coal for the 1985-86 period have been explained, since the trend is for expansion of cooperation to 1990. It was agreed that the Korean side will supply the BPR with manganese moldings, axles, and reduction gears, which are necessary for the production of crushing machines and ball-crushers.

It is necessary to note that the prospects for cooperation in production in the field of heaving machine building are good and new trade agreements should be signed in the future.

In the next few years, cooperation between the BPR and the DPRK in the field of machine building will continue to develop and expand, in the interests of both sides and in the interests of the socialist community.

12334
CSO: 2200/137

CZECHOSLOVAKIA

BRIEF ANALYSIS OF 1984 ECONOMIC RESULTS GIVEN

Prague HOSPODARSKE NOVINY in Czech No 12, 1985 p 2

/Article by Leo Gabriel, CPCZ Central Committee employee/

/Text/ At present the books are being closed on the performance of socialist organizations for 1984. So far the results have been entered and evaluated for most enterpirses and the same is gradually being accomplished for economic production units /VHJ/ as well.

The evaluation of managerial results this year has some peculiarities in comparison with previous analyses. These are related to the resolution of the 10th CPCZ Central Committee Plenum which have been reworked by the CSSR Government into priority tasks for upgrading the state plan.

A specific strategy has had to be applied in this area. Priority tasks are being evaluated along with plan fulfilment, but also separately in the sense that the failure to fulfill priority tasks will be treated as a failure to comply with a binding indicator, with what this implies for the possibility of recording the managerial results of an organization with reservations. Along with this, however, it has become possible to tolerate the occasional failure to fulfill certain of the eight binding indicators, as long as the priority task is fulfilled in the aggregate. Financial and banking organizations, meanwhile, look mostly at the priority tasks approved by the CSSR Government, but also monitor the economic underpinning of the adopted measures, i.e., the required acceleration in the pace of economic development related to increased economic efficiency.

A new characteristic of the analyses under way is a clearly higher level of political activity and substantially greater participation by party agencies, especially in the evaluations of deviations in the fulfillment of priority tasks. This is reflected in the greater comprehensiveness and rigor of the annual performance analyses.

Analyses that have already been completed at the enterprise and VHJ level have shown that the number of organizations failing to fulfill one of the established critical indicators has declined. This represents a continuation of a long-term downward trend in the number of organizations which have controls or special operating restrictions imposed on them because of poor performance figures. In

comparison with 1983, when the final evaluations of 2.2 percent of the organizations in centrally managed industry ended this way, this year it is the case with only about 1 percent of such organizations.

Although there are large variations, for the most part shortcomings show up in tasks related to capital investment, exports and inventories, i.e., tasks related to the efficiency of economic development, the assurance of external economic equilibrium, and the future formation of material and financial resources for the national economy.

What is worthy of note is that in many instances the 1983 situation is repeating itself. The responsible agencies should take detailed note of this and take the steps necessary to effect an improvement this year.

The results of these annual analyses also indicate that the failure to fulfill targets has shifted for the most part from critical to supplementary performance indicators, and to indicators that affect the fulfillment of priority tasks, especially inventories. By overfulfilling the production and output plan a number of organizations have not only achieved but surpassed the planned target for inventory turnover in days. At the same time, though, they failed to meet planned inventory levels mandated by an established priority task. It has become clear that a large number of the "reservations" which will continue to accompany the closing of the annual performance figures of many organizations will be connected to the failure to fulfill priority targets in inventories. The sitaution is similar in evaluations of the priority task of improving the differential indicator for exports.

Managerial results and the development of the national economy in 1984 therefore confirm the correctness of the resolutions of the 10th CPCZ Central Committee Plenum which contributed, in the form of priority tasks, to the maintenance of the pace of economic development from the preceding years as well as to the development of the conditions for fulfilling the planned tasks of the final year of the Seventh 5-Year Plan.

On the other hand, the results of this annual evaluation provide food for critical reflection. The domestic economy performed well (with profit targets fulfilled by 113.8 percent), even though these results appear more modest when compared with those of the rest of the world. This is also evident from the fact that while most VHJ have been evaluated without critical comment, this is far from the case with exporting organizations. This points to an ongoing inadequacy in our degree of integration with foreign conditions and our results, as well as to a low degree of innovational activity and the low technicoeconomic sophistication and quality of a wide range of our products.

The results of the current evaluations show that sectors, VHJ, and enterprises will attempt in many instances to tolerate the failure to fulfill indicators. The guidelines for the conduct of annual analyses, including those of priority tasks, are clear on this point. Nonfulfillment may be tolerated only when caused by external factors over which an organziation had no control, when the underfulfillment was in the public interest, when the task was fulfiled in an economic sense (materially), or when the degree of underfulfillment is not significant. It is not acceptable for organizations to cite the unfeasibility of a given target as their reason.

In the interest of objectivity, however, it is necessary to evaluate positively certain savings in budgeted costs for design parameters (in the material fulfillment of a given task) in capital construction, and in the area of technical demelopment. This is a positive trend related to the greater care being taken by organizations to fulfill their tasks efficiently. It is therefore clear that a request to overlook a failure to fulfill a target on these grounds will be treated favorably. The choice of when to tolerate underfulfillment will require a high level of professional and political sophistication from the controlling agencies.

The final recording of annual results is not strictly a technicoeconomic matter, or the affair solely of the professionals and managerial employees of an organization, but an event of wider political scope. For this reason the results of the annual operations of an organization should be discussed with the active participation of representatives of party and public agencies and organizations, because it represents an opportunity to evaluate all the basic aspects of the management of an enterprise or VHJ. At the same time these discussions could be utilized to verify the level of fulfillment of pressing public tasks such as fuel and energy conservation, and increasing product quality, along with the creation of socialist work brigades, efficiency enhancement teams, socialist competitions, worker participation in management, increasing the sophistication of control, etc. All employees should be acquainted with the results of the annual analysis and with the measures that result from it. The most appropriate forum for accomplishing this would appear to be either production conferences or party-economic meetings.

The system of annual management analyses and the closing of operating results has again been improved this year. It has been confirmed that this is a system which increases the demands not only on enterprise management, but also on the sophistication of managerial, organizational and especially planning activity by central agencies. The analyses of this year also showed that in most organizations there exists the desire and the effort to come to grips both with the economic problems facing them and with the tasks which the plan for the current year has assigned them. This constitutes the groundwork for the fulfillment of the resolutions of the 16th CPCZ Congress, even in view of the unfavorable economic performance of this exceptional winter. It is also a positive element that should be made use of, and a guarantee of future opportunities for our economic development.

9276
CSO: 2400/349

CZECHOSLOVAKIA

LACK OF PROGRESS IN INDUSTRIAL ROBOTIZATION CRITICIZED

Prague HOSPODARSKE NOVINY in Czech No 12, 1985 p 5

/Article by Eng Jiri Cech, Federal Ministry of Finance: "It Is Not Enough Only To Pay For the Robots"/

/Text/ About 2 years have elapsed since the approval by the CSSR Government Presidium of Resolution No 67, Systemic Measures to Provide Incentives for the Wider Application of Inudstrial Robots and Manipulators in Production, which had been put together by the Federal Ministry of Finance in cooperation with the Federal Price Office. Robotization in the CSSR, however, has not yet evolved at the pace that was prediged. Why? Is it the fault of financial measures alone...?

The systemic measures were designed on the one hand to offer incentives to suppliers and to the users, i.e. the consumers of robots and manipulators. For producers the incentives take the form of a system of dual prices (i.e., a higher price for the supplier and a lower one for the user, with the difference being made up from the state budget, the reserve fund of a sector or an economic production unit (VHJ), or from the technical development fund of a VHJ), which was modified by a directive from the Federal Price Commission, the Czech Price Commission and the Slovak Price Commission in June 1983.

User incentives include the introduction of special purpose noninvestment subsidies from the state budget which must be granted to cover the increased costs connected with the introduction of new technologies involving the use of robots or manipulators. Other measures are also available to users. To finance the acquisition of robots, financial principles are applied that were established by a measure to increase incentives for the production of single-purpose machines within the current overhead costs of organizations. These were adopted in CSSR Government Resolution No 319/1982.

Users may finance the acquisition of robots and manipulators:

--with subsidies provided to the development fund or the unified investment fund of a VHJ from reserves generated by an appropriate central agency;

--with an efficiency enhancing investment loan at an interest rate of four percent and with a maximum payment schedule of 5 years.

In conjunction with this an exception has been announced to Decree No 94/1980, Sbornik, of the Federal Ministry of Finance concerning the depreciation of capital assets which makes possible the accelerated depreciation of robots and manipulators in conjunction with the agreed upon period of the loan. Measures to provide incentives for robotization also include regulations according to which central agencies may set up conditions affecting the granting of annual bonuses to senior managers, and premiums and performance bonuses to other employees of user organizations that install robots and manipulators.

Fear of Subsidies

These systemic measures were formulated before the overall concept of the development of industrial robots and manipulators had been completed. When developing them the Federal Ministry of Finance and Federal Price Office assumed that the incentive measures would be accompanied by the necessary material and organizational measures (as specified by resolutions of the CSSR Government Presidiums No 94/1982 and No 168/1983). If we put together the current findings on the concept for developing robots and manipulators we can state that we have not as yet been successful in implementing the fundamental technico-production objectives established by the resolutions of the CSSR Government Presidium.

The inconsistent approach of production and user sectors to the provision of the approved strategy for developing the production of industrial robots and manipulators has resulted in limiting the efficiency and more active impact of the financial and price mechanisms adopted within the context of Systemic Measures. It is logical that given the incomplete resolution of basic technico-production problems (investment, production, labor) it is not possible to influence the course of the robotization of the national economy by only financial measures.

The planned measures are based (along with the utilization of some incentive principles from the Set of Measures and other financial mechanisms) above all on the use of dual prices. They also make use of the conditions established for the granting of noninvestment subsidies from the state budget for the installation of industrial robots and manipulators. For engineering robots, total subsidies to cover the differences in dual prices for the current year were set at Kcs 50 million. Manufacturers in the general engineering sector, however, are requesting only Kcs 4.7 million, those in the electrotechnical industry only Kcs 7.5 million while those in the metallurgy and heavy engineering sector do not even want any subsidies. Not even special purpose noninvestment subsidies are being used to partially offset the increased costs involved in the installation and initial operation of robots; the general engineering sector is requesting for this year only Kcs 4.3 million and the metallurgy and heavy engineering sector only Kcs 500,000 for this purpose.

The current unsatisfactory status of the development of robotization is the result of a number of factors of a technical, material and organizational character, along with influences from the area of planning and managerial techniques.

Volume and Reliability

Research conducted last year in all engineering sectors and VHJ showed that the critical reasons for the unsatisfactory situation in both the production and installation of robots are of a production, technical, faiclity and sales nature. Financial and price measures have so far not had the impact that was projected for them (indeed they could not have had such an impact).

The system of dual pricing assumed that production and deliveries (of production runs) of specific models of robots and manipulators would correspond to the targets set in State Priority Program 07, which projected for the Seventh 5-Year Plan the production of 3,558 robots and manipulators. Producers however, because of the delayed and inadequate development of a production base, and above all because of inadequate markets, are producing in fact only 5-30 units annually. Clearly, such small runs do not meet the conditions for the required reduction of full production costs during the 4-year applicability of the dual price system. This is evident in the faily small difference between the higher, producer price, and the lower, preferential price for the customer, thereby suppressing the incentive function of dual pricing. While the initial program projected subsidies to cover the differences in the dual prices on the order of 30-40 percent of the production price, in fact the subsidies are only running at 5-26 percent of these prices.

From the viewpoint of the user there is little interest in industrial robots and manipulators because of the ongoing low level of reliability of domestically produced robots. Fro instance, the Praga national enterprise has terminated for this reason a worksite equipped with the PR 04 industrial robot. The Automobile Works, National Enterprise in Mlada Boleslav returned a PR 32 industrial robot to Presov Vukov and is considering the termination of a worksite for the balancing of crankshafts that uses 2 units of the M 63 38 manipulators provided by the Snina Vihorlat national enterprises.

The installation of robots on a broader scale is also being limited by a lack of facilities equipped with modern machinery, because technically obsolete facilities cannot be effectively robotized.

The above problems represent a closed circle. The low level of user interest in robots and the failure to assure export markets for them leads to uneconomically small production runs, which lead to high production costs and therefore high acquisition prices (which even dual prices cannot eliminate), which in turn reinforces lack of user interest, with the above consequence of low production runs, etc.

An additional limiting factor is a shortage of robots and manipulators designed for use in the Federal Ministries of Metallurgy and Heavy Engineering and of the Electrotechnical Industry. We lack robots for heavy operations, and also those for fast electrotechnical assembly operations and those which have a high degree of precision and sophisticated control systems. User interest is dampened significantly by a lack of design and development facilities, of investment resources for the acquisition of robots and the necessary facilities for the design, development and production of dedicated peripherals for the equipping

of automated workstations. An independent question concerns the achieved effectiveness of what have so far been predominantly isolated installations of robots and manipulators which have been accompanied not only by the high acquisition costs of the equipment itself, but also by high noninvestment costs involved in the necessary development and production of peripheral and supplementary equipment and the design and construction of the workstations.

Only One Cog in the Works

The planned measures adopted by CSSR Government Presidium Resolution No 67 of April 1983 represented only one of the preconditions for the development of robotization. The effectiveness, and even the potential impact of financial mechanisms depends on and is directly connected with the implementation of a number of measures of a production-technical and organizational character. The currently unsatisfactory status of the assurance of the strategy for robot development and the utilization of existing incentive measures is a result of the failure to fulfill certain material preconditions, particularly in the modernization and construction of a production base, the assurance of a design and engineering capability, the training and retraining of professional personnel, and the setting up of a supply network.

At the present time pressure has begun to be exerted from the production and user spheres for the expansion of existing forms of state support and relaxation of established conditions and criteria. The economic sphere considers the existing forms of state support to be inadequate and frequently argues for an approach similar to that of certain developed capitalist countries where, in the interest of accelerating the progress of robotization, a number of incentive measures have been introduced by way of state support, some of which are of a "nonrepayable" character. It should be noted only that the extent of state support sought by the economic sphere is not consistent with the basic criteria of effectiveness.

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CZECHOSLOVAKIA

FINANCING OF RECLAMATION MEASURES DISCUSSED

Bratislava EKONOMIKA POLNOHOSPODARSTVA in Slovak No 1, 1985 pp 3-5

[Article by Eng Eva Judova, CSR Ministry of Finance: "The Financing of Reclamation Measures"]

[Text] Resolutions of the 16th CPCZ Congress and of the related plenary session of the CPCZ Central Committee established the objectives and tasks for the further development of the agriculture and food sector. One of these objectives is to protect more strictly and to fully utilize the agricultural soil stock, putting soil reserves to agricultural use, and increasing the fertility of agricultural soil through improvement related construction projects and reclamation measures. The implementation of these measures is being supported by subventions from the State Fund for Soil Reclamation [SFZP] which, along with the internal resources of agricultural organizations, will assure the financing of these measures.

Guidelines of the CSR Ministry of Agriculture and Food for the Seventh 5-Year Plan provided for the installation of drainage facilities on about 137,000 hectares of agricultural land, the construction of irrigation facilities on about 26,000 hectares, and a total of about 1,000 kilometers of small water flow modifications. To assure available sources of water for irrigation that is of the requisite quality the Ministry of Agriculture and Food set the objective of constructing small water reservoirs with a capacity of roughly 12 million cubic meters.

Based on the fulfillment of the implementation plans in 1981-1983 it may be expected that the objectives of the improvement related construction projects will be met. It is being assumed that the guidelines for drainage projects for the Seventh 5-Year Plan will be exceeded by 109 percent, meaning that such projects will be carried out on some 149,500 hectares of agricultural land. Irrigation works will be built on 28,000 hectares, which represents target fulfillment at a 108 percent level. The targets for the construction of small reservoirs and for water flow modifications will also be met.

The distribution of the construction of the improvement related projects corresponds to the natural and climatic conditions of individual krajs. Irrigation, including the construction of small reservoirs, is being focused primarily on the South Moravian kraj. The construction of irrigation projects on about 12,000 hectares of agricultural land and of reservoirs with a capacity of 8 million cubic meters of water represent 54 percent of the plan target for irrigation system construction and small reservoir construction for the CST in the seventh 5-year Plan. In contrast to recent practices the construction of improvement related projects is being focused on localities and areas that have previously not been used agriculturally.

The plan for noninvestment reclamation measures established by the Ministry of Agriculture of the CSR for the seventh 5-year Plan is presented in Table 1.

Table 1. Plan and Actual Fulfillment of Selected Physical Targets for Noninvestment Reclamation Projects for the Seventh 5-Year Plan

Project / Year	Recultivation of pastures/meadows (hectares)		Recultivation of unused and non-agricultural land (hectares)		Recultivation of sandy and heavy soils (hectares)		Corrective liming (hectares)	
	plan	actual	plan	actual	plan	actual	plan	actual
1981	20,887	29,952	5,654	6,840	12,931	15,319	117,172	177,283
1982	20,887	49,399	5,929	7,765	13,659	17,821	118,671	241,515
1983	22,209	33,827	5,983	7,335	13,969	23,200	117,880	199,448
Total 1981-1983	63,983	113,178	17,556	21,940	40,559	56,340	353,723	618,246
1984	21,244		5,199		20,459		94,935	
1985	22,151		7,338		13,763		114,382	
Total 7th 5-year plan	107,378		30,103		74,781		563,040	

In addition to annual overfulfillment of the plan for reclamation by bout 57 percent the plan has also been substantially overfulfilled for corrective liming by about 75 percent. As current analyses of soil samples indicate, however, this trend will not be sufficient to compensate for the influence of industrial emissions and the leaching of nutrients into lower soil levels.

In addition to the above mentioned recultivation and corrective liming measures other reclamation measures are also under way, including plot improvements, simple drainage projects, antierosion work, the cleaning of ponds, (dredging), etc.

Data of the CSR Ministry of Agriculture and Food indicate that during the Seventh 5-Year Plan antierosion measures are to be taken on about 60,000 hectares of agricultural soil, with plot improvements performed on about 17,000 hectares of agricultural land. All of these measures are important to some degree, and their implementation is an essential condition for increasing the intensity of plant production.

In the area of the construction of soil improvement projects and their subsequent utilization as well as in the area of noninvestment reclcmation projects there are differences in the degree of need between krajs and, within krajs, between okreses and enterprises which should become the object of attention in the near future of the relevant agencies and organizations.

Financing Reclamation Projects

The financing of noninvestment reclamation projects is accomplished through subventions from the State Fund for Soil Reclamation [SFZP] and from the internal resources of agricultural organizations.

In comparison with the Sixth 5-year Plan the current annual level of resources in the SFZP has been reduced by Kcs 142 million. This fact, along with an increase in budgeted costs for reclamation projects of both an investment and noninvestment character and an increase in the volume of noninvestment reclamation work is generating pressure for increased commitments of the internal resources of agricultural organizations.

The subsidizing of soil improvement and noninvestment reclamation projects from the SFZP and the commitment of the internal resources of agricultural organizations in the individual years of the Seventh 5-year Plan is presented in Table 2.

Subsidies from the SFZP declined as a percentage investment improvement costs from 86 percent in 1981 to 51 percent in 1983. In contrast the percentage of internal resources of agricultural organizations used for these purposes is gradually increasing, from 14 percent in 1981 to 17 percent in 1982 to 49 percent in 1983.

The internal resources of agricultural organizations are used to assure a majority of noninvestment reclamation projects. Just as for improvement projects, their percentage in the first 3 years of the Seventh 5-year Plan has shown an increasing trend from 56 percent of the total in 1981 to about 86 percent of the total in 1983. In absolute terms this represents an increase in the internal resources of agricultural organizations for the assurance of noninvestment reclamation work from Kcs 445 million in 1981 to Kcs 863 million in 1983.

This increase in the percentage of internal resources of agricultural organizations has increased the interest of these organizations (as sole or joint investors) in the effective utilization of the expended

resources, and therefore also in reducing budgeted costs both in project preparation and for the actual implementation of reclamation projects.

In addition to the positive phenomena and results it must also be stated that a number of subjective problems and shortcomings persist which reduce the effectiveness of improvement and reclamation projects, and therefore the overall effectiveness of the resources expended on these projects. External observation and random inspections indicate that, for instance, plot drainage is being implemented ineffectively. Comments have also been made about the quality of improvement projects from their formulation through their implementation. In a number of instance low utilization levels of installed irrigation facilities has been noted as well as poor maintenance of capital equipment. This primarily involves the maintenance and repair of improvement equipment and its components.

Concern for the agricultural soil stock and its improvement therefore remains in the forefront of attention for the near future as well. It continues to be necessary to pay attention to the utilization of the resources of the SFZP and their effective allocation. The commitment of the internal resources of agricultural organizations must be actively utilized to increase the material interest of agricultural enterprises in the effective, rational and high quality execution of reclamation work, including the repair and maintenance of improvement equipment. Increased attention must be devoted as well to the recultivation of currently fallow plots and of overburden dumps from mining activities, in order to accelerate their return to agricultural use.

Table 2. Financial Assurance of Investment and Noninvestment Reclamation Work

Project	1981		1982		1983	
	actual (millions of Kcs)	percent of cost	actual (millions of Kcs)	percent of cost	actual (millions of Kcs)	percent of cost
A. Investment Improvement Construction [IIC] --total costs included in plan for IIC	1,039,9		1,096,6		1,162.2	
of which: modifying water flows	117.9		130.1		156.0	
drainage	719.3		776.9		814.0	
irrigation	201.2		186.9		180.3	
--total subventions from SFZP	986.1	86.17	908.4	82.84	588.8	50.71
of which: modifying water flows	24.4	20.70	17.9	13.76	12.1	7.76
drainage	704.5	97.94	703.7	90.58	452.8	55.63
irrigation	114.9	57.10	163.5	87.48	82.1	45.53

[table continued on following page]

--total internal resources of agricultural organiz.	143.8	13.83	188.20	17.16	572.4	49.29
of which: modifying water flows	93.6	79.30	112.2	86.24	143.9	92.24
drainage	14.8	2.06	73.2	9.42	361.2	44.37
irrigation	86.3	42.89	23.4	12.52	98.2	54.46
B. Noninvestment Reclamation Projects						
--total costs of noninvestment projects	794.35		925.43		998.26	
of which: recultivation of meadows/pastures	227.50		243.94		253	
recultivation of unused soil	191.21		179.49		255.03	
recultivation of sandy soils	36.28		30.82		43.17	
corrective liming	140.86		178.64		174.96	
--total subventions from SFZP (excluding HMZ*)	349.07	43.94	230.90	24.95	135.75	13.6
of which: recultivation of meadows/pastures	142.80	62.77	99.03	40.60	57.12	22.58
recultivation of unused soil	102.90	53.81	87.23	48.60	48.20	18.90
recultivation of sandy soil	13.1	36.11	5.29	17.16	4.48	10.38
corrective liming	24.3	17.25	15.73	8.80	9.40	5.37
--total internal resources of agricultural organiz.	445.18	56.06	694.53	75.05	862.51	86.40
of which: recultivation of meadows/pastures	84.70	37.23	144.91	59.40	195.88	77.42
recultivation of unused soils	88.31	46.18	92.26	51.40	206.83	81.10
recultivation of sandy soils	23.18	63.89	25.53	82.84	38.69	89.62
corrective liming	116.56	82.75	162.91	91.19	165.56	94.63

*HMZ = chief improvement organization under the administration of State Improvement Administration [SMS]

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CZECHOSLOVAKIA

PLANS FOR 1985 WHOLESALE PRICING DISCUSSED

Prague FINANCE A UVER in Czech No 12, 1984 pp 817-824

[Article by Eng Vaclav Jelinek: "Plan for Wholesale Price Development in 1985"]

[Text] Our national economy is entering the concluding period of the 7th Five-Year Plan, in which our main objective has been to maintain and strengthen the positive trends of current economic development and to develop the necessary preconditions for a continuation of economic intensification in the second half of the 1980s.

Price, as one of the important mechanisms of the national economic planned management system, must play a role in this. The main objective of pricing policy is to realize value relationships through the smooth implementation of wholesale prices for inputs, with pressure in the direction of minimizing them, and to adapt the wholesale prices of products of the processing industry to their achieved effectiveness along with stimulating high technical product sophistication, quality and a speeding up of the innovation cycle.

One of the resources for implementing these tasks is the plan for wholesale price development for 1985. It was approved by the CSSR government in resolution No 170/84 with enough lead time so that changes in wholesale prices could be included in the national economic plan for next year.

Overall Objectives and Scope of Plan for Wholesale Price Development

Critical changes in wholesale prices, those which reflect reactions to the changed economic conditions of the final years of this 5-year period and for the beginning of the next Five-year plan, were instituted last year.

The plan for wholesale price development in 1985 can be characterized as follows:

-- it completes certain changes in wholesale prices that stem from the development of acquisition costs of fuel and raw materials resources, including agricultural raw materials;

-- at the same time (and independent of these changes) it initiates rationalizing adjustments to wholesale prices in the area of outputs in selected divisions of the processing industry.

The planned changes in wholesale prices as of 1 January 1985 involve about Kcs 189 billion of production (14 percent of national economic output) from 149 production sectors. At the same time there are bidirectional changes in wholesale prices, namely price increases for the products of 67 production sectors and price reductions for 82 production sectors, as shown on Table 1.

The plan for wholesale price development, moreover, includes basically only the most necessary adjustments stemming from the demands of the State Planning Commission to moderate price developments in 1985 and 1986. All the adjustments have been the subject of thorough preliminary analysis and evaluations by interested central industrial planning offices.

Table 1

Sector	number of divisions in 1985 plan		
		of which	
	total	with increase	with decrease
chemical	9	7	2
engineering	40	10	30
timber industry	7	5	2
cellulose and paper industry	5	5	-
glass, ceramics and porcelan	1	-	1
textile industry	27	11	16
clothing industry	6	2	4
leatherworking and footwear industry	12	3	9
printing industry	2	1	1
food industry	22	22	-
circulating branches	2	-	2
local production	6	-	6
other	10	1	9
Total	149	67	82

Objectives of Wholesale Price Changes in Specific Areas and Branches

The one-time change in wholesale prices is intended to foster the following objectives.

1. Completion of the implementation of wholesale prices for selected raw materials for which acquisition costs have come to differ significantly from current wholesale prices.

The net increase in valuation of material inputs amounts to Kcs 5.6 billion (an increase of Kcs 5.8 billion and a decline of Kcs 0.2 billion). Adjustments are being focused above all on raw materials for the food industry, on raw timber, wood and leather.

The greatest increase in the level of wholesale prices occurs for agricultural rae materials for the food industry - an increase of Kcs 4.9 billion (12.7 percent). During the 7th Five-Year Plan the prices increased for agricultural raw materials which have been incorporated into wholesale prices for the food industry of roughly Kcs 22 billion (with the figure for 1981-1982 being about Kcs 12.5 billion and the figure for 1984 roughly Kcs 4.7 billion); the greatest part of these adjustments related to milk (Kcs 10.3 billion) and cattle (Kcs 8.2 billion), poultry (Kcs 1.2 billion), sugar beets (Kcs 1 billion), grain (Kcs 0.4 billion), fruit and vegetables (Kcs 0.4 billion), and eggs (Kcs 0.3 billion).

The above mentioned increase in wholesale prices for agricultural raw materials for the food industry in 1985 involved mostly meat (accounting for about two-thirds of the total), then poultry, grains, and eggs. The adjustment means that for most sectors the procurement and wholesale prices will now be in line, so that there will be practically no need to subsidize agricultural raw materials from the state budget. Only limited subsidizing capability has been retained, in the form of several special purpose subsidies (for instance for increased transportation costs in the SSR, for the selling prices of raw alcohol and oil seeds, liquid lard, for the reverse sale of sugar) as well as involving fertilizers, milk based fodders, and protective substances for plants.

An increase in the wholesale price of raw timber is under way of Kcs 0.9 billion (an average of 14.4 percent). The adjustment of these wholesale prices is connected with a change in the Czechoslovak State Standards which are intended to foster the more comprehensive and efficient utilization of timber. Reducing the losses in forest management (resulting from increasing costs of the growing and harvesting of timber, as well as increased fuel prices) and changes in the price relationships are evident in the differentiation between the prices for deciduous lumber (an increase of 27.5 percent) and for conifa lumber (an increase of 9.7 percent).

On the other hand, the wholesale price of raw hides has declined by 7.7 percent, both for domestic and imported hides. The average wholesale price has declined from Kcs 26 to Kcs 24 per kilogram. Within the context of this adjustment the relationship between the prices for cattle and swine hides, between imported and domestic cattle hides and between raw cattle hides and half finished hides have all changed.

Other adjustments concern the relationships of the wholesale prices for sheep wood and furs (an increase in the price of coarse imported wood by 59 percent and a reduction in the price of domestic medium and fine wools of 11 percent) and an increase in the wholesale prices of synthetic fibers and imported cotton yarn to bring them into line with changes in purchase prices.

2. The incorporation of the results of changes in the wholesale prices of inputs (implemented in 1985, but also in 1984) into wholesale prices in selected sectors of the processing industry.

Most of the repriced production resulting from changes in wholesale prices included in the plan for wholesale price development in 1985 are concentrated in the food industry sector (roughly 40 percent of the repriced production). If one considers changes in wholesale prices made in this sector in 6 production divisions previously in 1984 (roughly 32 percent of the production of the sector), then the inclusion of an additional 22 production divisions in the plan for 1985 means that in this sector by the end of the current five-year plan the wholesale prices will have been adjusted for almost 90 percent of its production. The adjustment will not be made in only 3 divisions (industrial oil plants, fats and edible oils, and tobacco products).

The incorporation of increased procurement prices and the elimination of subsidies to the procurement prices of agricultural production, the incorporation of increased wholesale prices of fuel and power resources, tariffs and other factors will result in an increase in the wholesale prices of the repriced production of this sector of an average of 11.1 percent.

The implementation of what amounts to a comprehensive adjustment of wholesale prices in this sector has been used to assure that the new wholesale prices more effectively influence the rational decisionmaking of organizations regarding the structure and quality of production and their cost levels. The following comments should be made:

-- profit calculations are no longer tied to the full production costs of output, but are shifted to a new scheduled base, represented by processing costs. In this way this sector (in accordance with a requirement of the Set of Measures) will develop in the price area the fundamental precondition for the more effective impact of economic incentives dependent on the degree of internal processing of material and raw material inputs within organizations and for the measurement of the role played by a given organization in the amount and quality of work that is performed;

-- in 3 additional production sectors the conditions are being created for the application of integrational funds to operational integration between food industry enterprises and agricultural organizations. The purpose of these measures is to stimulate the production of a structure and quality of raw materials that will allow a higher valuation both domestically and abroad of food industry products. In sector 751, mill products, for instance, this is a matter of producing of huskless oats for the production of quality oatmeal flakes; in sector 752, malt products, the problem is to support deliveries of high quality barley for the production of export malt; and in-sector 764, slaughter and meat products, the goal is to support the production of slaughter animals that meet the standards of the meat industry and to modernize the procurement centers. Integration funds will be utilized by a total of 11 production sectors beginning in 1985.

In addition to the foregoing, sector 771, fruit and vegetable products, will set up a special purpose fund for compensating for differences between

calculated and actual procurement prices for fruit and vegetables, which are arrived at by flexible agreement between the supplier and consumer.

-- profitability in the wholesale prices of meat products is being differentiated to support the production of packaged meat, with preferences given to greater utilization levels of secondary raw materials (blood, hides, bones). Pressure is also increasing in prices for the gradual utilization of the entire output of protein for human nutrition, etc.

Another important part of the production included in the wholesale price development plan for 1985 is that of the majority of the consumer goods industry (involving 56 production sectors and roughly 61 percent of its total output). While in the forest products industry wholesale prices are being changed only for about half of its production (finished lumber, veneers, plywood, particle board, impregnated products, wooden packing materials), with the remaining products to be addressed in 1986. Incorporating the increased wholesale prices and changed price relationships for raw wood into the 1985 plan will result in an increase in the price level of this sector of an average of 7.6 percent. In the paper and cellulose sector the adjustment of wholesale prices (begun in 1984 in the pulpwood, paper, cartons and roofing and insulating materials divisions) will finish up with filament tape higher grade paper and cartons, higher grade paste board, cardboard cartons and packing materials, and for products from paper and cardboard. The price level will increase by 6.2 percent. The increased wholesale prices of paper will be evident in the pricing of the output of the printing industry.

In the textile industry the wholesale price level will increase by 2 percent. The adjustments will focus on changes in the wholesale price of chemical fibers, hemp, flax, wool, fur and cotton yarn. It will affect the entire production of the cotton (up 8.1 percent), wool (down 1.9 percent) and the weaving industries (up 2.3 percent), in addition to linen products for which wholesale prices had been changed last year. The consequences of the adjustment will be evident in the pricing of the final output of the clothing industry, where the price level of the repriced production will be decreased by 2.5 percent by making use of possibilities for absorbing price increases and exceptional profits.

The reduction in the wholesale prices of raw hides will be reflected in reduced price levels in the leatherworking and footwear industries of an average of 4.9 percent.

The efficiency enhancing objectives included in the system of new wholesale prices in the consumer goods sector include the following:

-- the establishment of price relationships in close conjunction with the use values of products, to support the efficient interchangeability of products and a higher level of processing of the input materials; for instance, the incorporation of changes in the Czechoslovak State Standards for the comprehensive utilization of wood materials incentives for the consumption of chips and cuttings in order to conserve growing trees,

incentives for the production of the lightest cotton yarn, eliminating the undervaluation of domestic raw hides, providing incentives for the processing of recycled paper and grayboard;

-- the updating, supplementing and effective grouping of price norms (from 90,000 to 50,000), which are an important foundation for proper price formation and a mechanism for increasing pressure for the proper management of organizational costs;

-- eliminating losing operations and unjustified fluctuations in profitability between Czech and Slovak production organizations, the development of improved preconditions for the further grouping of turnover tax rates, etc.

In the chemical industry changes in wholesale prices are being carried out only for those divisions for which the results of changes in wholesale prices in other areas have resulted in losing operations or significantly substandard profitability. These involve mainly divisions involved in miscellaneous chemical materials other than synthetic resins, general chemical products, glues, gelatins and adhesives, plant protection products, and polyester fiber silk. The price level will increase by an average of 3.9 percent. Calculations of new wholesale prices and price relations were made with an eye towards stimulating organizational interest in limiting production and exports of smooth silk in favor of formed material, on an expansion of domestic production and a reduction in the dependence of agriculture on imports of plant protection chemicals, an improvement in price relations between bone based and leather based glue and within these types of glue.

Adjustments to wholesale prices have also been made in certain sectors of local production. In the price markups of marketing and supply organizations steps have been taken to act on the principle that along with a change in the base (the wholesale prices for specific products included in the price plan) it is essential to check as well the economic viability of existing sales markups. Foreign trade organizations have been reducing and unifying the margin rates for some commodities.

On the whole the wholesale price level in the processing industry, local production, and in other areas will increase by Kcs 9.3 billion (Kcs 10.2 billion of additions and Kcs 0.9 billion of decreases).

4. Efficiency enhancing modifications of wholesale prices for outputs (the products of processing industries) with the objective of supporting the implementation of the results of research and development progress and to bring wholesale prices into line with foreign pricing.

In accordance with the resolutions of the 8th CPCZ Central Committee Plenum the utilization has intensified not only of price formation, price incentives and dual prices for new products, but also of planned changes in wholesale prices for current production with the objective of accelerating the practical application of R&D results. A reduction in wholesale prices is being conducted for those groups of products for which there is an interest in wide application in the national economy, and especially those

that can contribute to increased labor productivity, the conservation of fuel and raw material resources, increased product competitiveness on foreign markets, or from the viewpoint of social priorities (for instance electronics, measurement and regulational equipment, products that will save power and fuel when operating). Price changes are being implemented gradually (in a programmed way) from the startup of product production or on a one time basis after achieving a predetermined level of production concentration. In some cases (dual prices) these changes are accompanied by the application of temporary, declining subsidies from the state budget.

In connection with this policy wholesale prices will decline in 15 divisions by Kcs 1.4 billion, which amounts to about 10 percent of the valued of the repriced production.

The primary sectors concerned are the components base for electronics, typewriters, data processing equipment, signalling and safety equipment, equipment for automatic regulation and measurement, sodium-vapor lamps and some energy conserving electric appliances with the objective of supporting the development of the production of robots and manipulators, the mechanization and automation of data processing and production processes, electrical power conservation, etc. In the years 1983-1985 these wholesale price adjustments amount to roughly Kcs 45 billion of production and will mean a reduction in wholesale prices of Kcs 5.2 billion.

Increasing the export performance of our economy and its incorporation into an effective international, and especially socialist division of labor will require the purposeful application of foreign price relationships and the criterion of achieved export effectiveness in order to objectivize the development of domestic wholesale prices of production designated for the most part for export.

This criterium is being used for those divisions and groups of products which are undergoing changes in 1985 not only to differentiate the amount that will be absorbed of an increase in the wholesale price of inputs for related production. At the same time a process has started of:

-- the objectivization of profitability and wholesale prices based on the achieved effectiveness of exports for production of the processing industries which was not for any other reason mentioned above included in the wholesale price development plan for 1984-1985.

This has been primarily a matter of reducing wholesale prices in those instances when substantially higher than normal profitability has been shown at the wholesale price level even though export performance has not been effective. At the same time it has been possible (to a maximum extent equivalent to the reduction in the price level) to evaluate as well opposite proposals, i.e. an increase in wholesale prices in divisions and product groups if high export efficiency is acheived even though an operation may be losing money or be less than optimally profitable in wholesale prices;

-- penalty pricing for products which do not achieve in export at least the established lower limit of the differential indicator;

-- applying the foregoing principles also to special cooperative projects component deliveries (subcontractors) for final products which influence significantly either a low or high efficiency record for exports of these products.

The result of this approach should be an updating of the differential indicator for exports, a gradual merger of the interests and economic incentives of production organizations (final producers and their subcontractors) with foreign trade organizations regarding the volume and structure of publically effective production and exports, reductions in wholesale price levels and their reconciliation with foreign prices.

To fulfill the above objectives, Federal Price Office Guideline No P-8/83 established more detailed principles for the selection of pertinent divisions and groups of products and for an approach to the evaluation of their incorporation into the plan for wholesale price development. In view of the fact that the plan for wholesale price development for 1984-1985 includes almost the entire metallurgical, construction and food sectors the analysis and choice focused mainly on the heavy and general engineering sectors, the electrotechnical, chemical, and consumer goods industries.

Overall, the pertinent sectors submitted 75 cases for all the above reasons (production groups) representing production valued at Kcs 28.7 billion, and proposed to reduce the wholesale price level by Kcs 2.1 billion. Based on a detailed evaluation in sectoral managerial groups and on national economic and politicocommercial considerations, production amounting to roughly Kcs 17 billion was included in the plan for wholesale price development for 1985. This decision involved:

-- decreasing the wholesale prices in 18 divisions of the engineering, electrotechnical, chemical and consumer goods industries, for a total of Kcs 1.3 billion; this is primarily a matter of accessories for motor vehicles, passenger cars and trucks, including assemblies and subassemblies for them, reprographic equipment, stones and technical crystals, electrochemical current sources, sources of electric light, heating and boiling equipment, metal work and locks, installing materials, synthetic and glass fibers, pharmaceutical chemicals, leather and sporting goods;

-- increases in the wholesale prices of 9 divisions (mainly in engineering) for a total of Kcs 115 million; these are primarily for turning and forming machine tools filling and packing equipment, lifting mechanisms, and metal transportation equipment.

This measure and what, on balance, amounts to a reduction in wholesale price levels must be understood as the first steps in the stabilization of wholesale and foreign prices in the area of outputs (products of the processing industries), which was mandated by the Set of Measures and by CSSR Government

Resolution No 151/82 for the 7th Five-Year Plan. This was restructed in 1985 basically to only the extreme reaches of export effectiveness on the grounds that the search for a solution to this complex yet pressing task will continue in the 8th Five-Year Plan in conjunction with the financial area. As CSSR Government Resolution No 170/84 emphasized. It is essential to intensify and accelerate this approach beginning in 1986.

Overall Results of Wholesale Price Implementation

The implementation of the above mentioned bi-directional changes in wholesale prices in 1985 will mean an aggregate increase in the wholesale price level of 0.7 percent for the entire national economy; on balance the wholesale price level for federally administered offices will decline and the level will increase for central offices managed by republic governments. For the repriced production (valued at Kcs 189 billion) the wholesale prices will increase by an average of 3.6 percent while for divisions with reduced wholesale prices (Kcs 74 billion of production) the wholesale prices will decline by an average of 6.3 percent and for divisions with an increase in wholesale prices (Kcs 115 billion of production) that increase will average 10 percent.

In addition to the above one-time changes in wholesale prices 1985 will see a continuation of the 2 percent annual increases in the wholesale prices of all fuel raw material resources and an increase in the price of diesel fuel of 20 halers per liter with the objective of influencing their effective utilization in accordance with the plan and state rationalization programs for savings. These adjustments to wholesale prices are not being incorporated in the prices of the related production and, on principle, are not even being recognized in the cost and profit plan of customers.

New wholesale prices were established and announced in May 1984 by the appropriate central price offices. Additional necessary preconditions for the balancing of price differences and for incorporating the results of changes in wholesale prices into the national economic plan have been developed in the area of pricing. This strategy will be executed under stricter price and sectoral control so that changes in prices are not possible and so that their incorporation into plan indicators and the state cannot be misused to introduce an undesirable softening of plan targets and standards in the khozraschot sphere or to transfer their pressure from suppliers to consumers.

The development plan for wholesale prices for 1985, in conjunction with the extensive adjustments implemented as of 1 January 1984 cover roughly 57 percent of the production of the national economy. It completes the smooth implementation of wholesale prices set for the 7th Five-Year Plan by the 16th CPCZ Congress and constitutes a more rational pricing base for drafting the 8th Five-Year Plan. It assures that the valuation of fuel and raw material imputs expressed as the efficiency of economic activity will be at a level that corresponds to the actual public costs of their acquisition. In the planned management of our national economy this will make it possible more

effectively to utilize valuational criteria. Increasing the standardizing function of prices for the formulation of economic measures will be accompanied by the utilization of prices as a means for strengthening the impact as well of the other mechanisms of planned national economic management for conservation and increasing the value added to material inputs during processing. Given an overall increase in the price level of inputs in the 7th Five-Year Plan of Kcs 95 billion roughly 25 percent of these influences were absorbed in the reduced costs and above normal profits of the processing sector. The price level thus increased over the five-year plan by a total of 17.2 percent for the national economy and by 12.5 percent for deliveries for final use.

This strategy in the price area contributes to a gradual introduction of more intensive management of costly and scarce raw fuel material resources and to their higher valuation. In the differentiation of price damping, in price relationships and in calculated profitability account is therefore taken of achieved export effectiveness and the qualitative level of production. This serves to provide incentives for effective innovations, increased quality and the exportability of production.

The creation of a rational system of wholesale prices is an ongoing process connected with the development of domestic and foreign economic conditions and with the development of public requirements. In the upcoming, 8th Five-Year Plan it is therefore essential to build on the proven results of smooth implementation and to continue with the rationalization of wholesale prices and the price system. Their accuracy and proper form of organization will assure a correspondence with the main objectives of the improved planned management system for the national economy after 1985.

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CZECHOSLOVAKIA

FEBRUARY 1985 ECONOMIC RESULTS SUMMARIZED

Prague HOSPODARSKE NOVINY in Czech No 13, 1985 p 2

[Commentary by Engineers Marie Hormannova and Alena Polakova, Federal Statistical Office: "February 1985"]

[Text] The exceptional fluctuations this winter influenced plan fulfillment in some areas of the economy not only in January but in February as well.

In industry there has been a production dropout of 0.11 day in comparison with the annual state plan, and 0.6 day as compared with the enterprise plans for January through February. There are of course considerable differences by enterprises: while some have a lead over the plan despite the severe weather, at other enterprises the dropouts (in comparison with the enterprise plans) vary within a range of approximately 2 days, with the highest dropouts in construction and public transport.

The volume of gross output in industry was 1.3 percent lower than in February of last year. Adjusted for the same available working time (there was one more workday last February) and with allowances for continuous operation, however, the gross output in industry was 3.3 percent higher.

Gross output during the first two months of the year reached a volume of about 111 billion korunas, which is 0.2 percent more than in the same period last year. The average daily output in January and February jointly increased by 2.4 percent. Parallel with the fulfillment of the economic plans, the increase in output was the highest within the Federal Ministry of Fuels and Power, and also in the clothing industry, nonferrous metallurgy, and the rubber industry.

Fulfillment of the economic plans for the volume of gross output was 99.1 percent in February, and 98.6 percent in the first two months of the year. During this period, 446 industrial enterprises (or more than half of their total number) fell short of their production targets.

The supply of electric power proceeded favorably: 14.922 billion kWh of electricity was generated in January and February, 3.8 percent more than what the plan called for. The output of bituminous coal was 4,497,000 metric tons, roughly the same quantity as planned; the output of brown coal and lignite was 17,364,000 metric tons, an increase of 1.3 percent over the plan. The output of the principal metallurgical products fell slightly short of the plan: the

Basic Indicators of National Economy's Development in February 1985.
Increases Over Comparable 1984 Period (in percent)

	Feb	Jan-Feb	State plan[1]
Centrally Administered Industries			
deliveries for:			
- investments, at wholesale prices	.	15.8	.
- domestic trade			
at wholesale prices	.	-0.5	.
at retail prices	.	-3.8	.
- export to socialist countries			
at wholesale prices	.	-1.3	.
at f.o.b. prices	.	-2.1	.
- export to nonsocialist countries			
at wholesale prices	.	1.5	.
at f.o.b. prices	.	-2.5	.
- other sales for productive consumption and operations, at wholesale prices	.	0.7	.
volume of industrial production	-1.3	0.2	3.0
average number of employees	0.6	0.6	0.6
labor productivity based on gross output	-1.9	-0.4	2.5
Construction			
construction work performed with own personnel	-15.6	-17.4	0.9
average number of employees	-0.3	-0.3	0.3
labor productivity on construction's basic output	-15.3	-17.1	0.6
housing units delivered by contracting enterprises	-5.4	-1.1	27.7
Procurement			
slaughter animals (including poultry)	-2.3	-0.4	-1.1[2]
milk	-3.9	-2.8	-2.1[2]
eggs	0.4	3.7	-6.4[2]
Retail Turnover			
main trade systems	0.4	2.6	4.1[2]
Foreign Trade[3]			
export to socialist countries	.	-17.5	4.6
export to nonsocialist countries	.	-0.1	1.4
import from socialist countries	.	-0.6	4.8
import from nonsocialist countries	.	-2.2	1.9

1. Based on expected 1984 results.
2. Based on actual 1984 results.
3. In accordance with the methods of planning for 1984 (Federal Government Decree No 308/1984).

January-February outputs were 1,545,000 metric tons of pig iron, 2,443,000 metric tons of crude steel, 1,649,000 metric tons of rolled stock, and 244,000 metric tons of steel pipe.

Fulfillment of the plan for adjusted value added was 97.1 percent. But 491 enterprises, or more than 45 percent of their total number, fell short of the plan.

Labor productivity in industry (based on gross output) was 0.4 percent lower than in January-February of last year, whereas the annual state plan calls for a 2.5-percent increase. Labor productivity based on adjusted value added dropped 1.2 percent.

In sales of the industrial output, the economic plans for January through February were fulfilled at wholesale prices to practically all destinations, except fulfillment of the planned deliveries for productive consumption and operations was only 99.1 percent.

Overfulfillment was the highest in deliveries for investments: by 14.5 percent. On the other hand, more than half of the industrial enterprises fell short of their planned deliveries for productive consumption and operations; about two-fifths of the enterprises that have deliveries for the domestic market in their 1985 plan fell short of fulfillment in January-February; and the situation was the same also in the case of deliveries for export to socialist countries.

Winter weather this year had an especially adverse effect on construction. In February, the construction enterprises performed 5.2 billion korunas' worth of construction work with their own personnel, 15.6 percent less than in February of last year. The average daily output was 11.4 percent lower than in the same month last year.

In January through February, the construction enterprises performed 10.1 billion korunas' worth of construction work with their own personnel, which is 17.4 percent less than in the same period last year. On the other hand, the annual state plan calls for a 0.9-percent rise in the volume of construction work in place.

Fulfillment of the construction enterprises' economic production plans was 85.7 percent in February, and 83.2 percent in January through February. In the first two months of this year, 200 (or 86.2 percent) of the construction enterprises fell short of their economic plans for the volume of construction work performed by their own personnel.

In January through February, fulfillment of the plan of adjusted value added in construction was 82.4 percent. Labor productivity, based on the volume of construction work that the construction enterprises performed with their own personnel, was 17.1 percent lower in January through February, whereas the annual state plan calls for a 0.6-percent rise.

In housing construction, the contracting construction enterprises delivered 2,122 housing units by the end of February; which means that fulfillment of the economic plan was 114.1 percent.

The weather had a pronounced effect also on public freight transport, especially on inland navigation. The total volume of freight hauled in February was

42.8 million metric tons, 13.1 percent less than in January of last year. In inland navigation, the volume of freight hauled dropped by nearly 64 percent. In January through February, public freight transport hauled 85.2 million metric tons, 14.9 percent less than in the same period last year, and 13.5 percent short of the economic plan's breakdown.

In January through February, the railroad loaded 13.0 percent fewer freight cars than in the same period last year; the average turnaround time per freight car unit rose to 4.4 days, which was 14.6 percent longer than during the same months of last year.

In agriculture, the procurement schedules were fulfilled in February 99.4 percent for slaughter animals (including 98.6 percent for slaughter cattle, and 99.6 percent for slaughter hogs), 100.1 percent for slaughter poultry, 100.5 percent for milk, and 99.3 percent for eggs.

In January through February of this year, in comparison with the same period last year, the procurement of slaughter animals (including slaughter poultry) was down by 1,100 metric tons or 0.4 percent; the procurement of milk was down by 23.9 million liters or 2.8 percent; and the procurement of eggs was up by 18.6 million eggs or 3.7 percent.

In domestic trade, the retail turnover of the main trade systems rose by 0.4 percent in February, reaching 17.1 billion korunas. Fulfillment of the economic plans in January through February was 99.6 percent. Food Trade, Coal Depots, Fruit and Vegetable Trade, and the Footwear Enterprise overfulfilled their economic plans; the other organizations fell short.

In foreign trade, the planned growth rate for January through February was not achieved, neither in trade with socialist countries nor in trade with nonsocialist countries. By the end of February, the annual state plan for total export was fulfilled only 10.5 percent (including 10.0 percent for export to socialist countries, and 11.4 percent for export to nonsocialist countries). The annual state plan for total import was fulfilled only 11.1 percent (including 12.1 percent for import from socialist countries, and 8.7 percent for import from nonsocialist countries).

On 28 February 1985, the currency in circulation reached 54.9 billion korunas, which was 3.2 billion korunas more than on 29 February 1984.

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CZECHOSLOVAKIA

SECOND STAGE OF WAGE SYSTEM IMPROVEMENTS DISCUSSED

Prague HOSPODARSKE NOVINY in Czech No 12, 1985 p 4

/Article by Eng Josef Zika, Federal Ministry of Metallurgy and Heavy Engineering: "We Recognize Only Performance"/

/Text/ The Program For Increased Economic Efficiency of the Wage System /ZEUMS/ has increased demands on efficiency. It set the objective for the new wage system of facilitating increased economic efficiency, i.e. of contributing to improved, more productive economic performance. The first stage of ZEUMS created a broader and higher quality standards base. New wage forms were tested and/or implemented which better corresponded to the incentives for fulfilling economic objectives during the current developmental phase and also helped develop the preconditions for deepening the connection between the amount of overall earnings and personal incentives and merit. The fulfillment of the tasks of Phase 1 have become a condition for the second phase, which is basically a classical wage restructuring with the sole difference being that organizations must better fulfill planned tasks by increasing the efficiency of their work and generating their own resources for meeting targets. As of this year the production enterprises of our sector have successfully handled the tasks of Phase I. In the second half of the year we have therefore been working intensively on preparations for Phase II of ZEUMS. The first to begin preparations was the Kosice East Slovak Iron Works and the Kutna Hora plant of Ceskomoravska-Kolben-Danek. The State Wage Commission authorized these two firms to begin Phase II as of 1 January 1985.

Government Resolution No 32/1984 clearly establishes the fundamental preconditions for Phase II of ZEUMS. It is necessary only to emphasize that the fulfillment of tasks from Phase I and the demonstration of their impact on the operations of organizations is one of the critical issues being evaluated at all levels of discussion.

What Are the Preconditions?

An organization must show that it has undertaken the following:

--an upgrading of the quality and objectivity of standards, their practical application, and documentation of changes in standard fulfillment;

--the restriction of work activities that are in excess of the above standards;
--the assurance of permanent standard objectivization and expansion of the standards base;
--the fulfillment of the operating plan of the organization and the assurance of target fulfillment for the upcoming year.

In our sector we extended these criteria to include the introduction of personal evaluations for technicomanagerial employees /THP/. Our organizations began to introduce these in 1983 with the understanding that all would be utilizing them as of 31 December 1984.

Preliminary studies have clearly shown a one-time increase in wage fund requirements upon the introduction of personal evaluations that arises from the necessity of newly-assigning employees to categories. The Ministry set the target date of 31 December 1984 on the one hand to spread out the need for additional wage funds over more years, thereby reducing requirements for them during Phase II of ZEUMS, and also to make work more smooth and less pressured. As of the established date all but 12 of the 157 enterprises in our sector had introduced personal evaluations, including general directorates.

To select the organizations which would be the first in our sector (and, it turns out, in the entire national economy) to embark as of 1 January 1985 on Phase II of ZEUMS, additional considerations were introduced. We needed to gain experience from differing territorial conditions, which has the greatest impact on the qualifications of the work force and its compensation. For this reason selections were made from organizations in both the CSR and the SSR. It was also clear that these organizations should be from both of the major branches of our sector (metallurgy and heavy engineering). After consultations with our economic production units /VHJ/ we chose the Kosice East Slovak Ironworks and the Kutna Hora plant of Ceskomoravksa-Kolben-Danek.

Both organizations are fulfilling their annual operating plans and are overfulfilling the established targets of their counterplans for the current 5-year plan. They both possess experienced and qualified managerial and professional employees, above all in the division of labor economics, which guaranteed that they would be able to handle the preparations. Both organizations are typical of their branches in terms of production. They are also quite different in terms of work force, with the East Slovak Ironworks employing 24,200 and the Kutna Hora Ceskomoravska-Kokben-Danek plant 2,220.

Organizational Preparations

The literally pioneering contribution of both organizations to the introduction of Phase II of ZEUMS stems from the fact that they began preparations in May 1984, when there were still not even any definite wage regulations. CSSR Government Resolution No 32/1984 established that these regulations were to be issued by 31 August 1984. Regulations governing compensation for blue collar employees were ready by this time, but those for THP were delayed. Both organizations therefore, worked with drafts of these regulations in conjunction with professional divisions at general directorates and the Ministry.

In one respect this turned out to be an advantage for the center, because in connection with preparations for introducing the draft of the wage regulations problems arose within the organizations which could then be resolved at the edict stage. This experience applied mainly to the preparation and issuance of the unified nationwide edict of the Federal Ministry of Labor and Social Affairs concerning THP compensation, in which there were substantial changes. It became clear that practical application is the best way to test the quality of the regulations. It would not be a bad idea, when there is to be a fundamental restructuring of the wage system, to test the regulations experimentally, and only then issue them in a definitive form.

On the other hand, there were certain constants here which made it possible to organize preparations during this period. These were provided above all by Government Resolution No 32/1984 which established the legal basis for the inclusion of branches, sectors, and divisions into specific groups, namely wage scales, including the approval of new wage rates. Both organizations, therefore, could conduct new classification programs and quantify their requirements for wage funds.

Regarding THP compensation, this resolution established the basic principles for the classification of managerial employees into wage groups and the establishment of wage scales. Some guidance was provided by drafts of a new edict of the Federal Ministry of Labor and Social Affairs for THP compensation which both organizations had at their disposal during their decisionmaking process.

At this time, preparatory work was not intended to be final. It was adequate to develop alternative drafts of worker classifications and to quantify wage fund requirements. This made it possible for organizations to judge the amount of additional wages payable resources that would be required by Phase II of ZEUMS, and to attempt to answer the question of where these resources would come from. The qualification of wage fund requirements resulting from the simple introduction of new wage regulations, and above all of new wage scales, yielded an unbearable increase in wage fund requirements. A plan was therefore formulated for structuring earnings based on Government Resolution No 32/1984. This plan made it possible to redistribute wage fund resources, especially premiums, bonuses, extraordinary bonuses, profitsharing, etc. to cover the obligations stemming from the higher wage scales. At this stage of work, this represented a significant correction in the requirements and concept of the wage development of organizations, above all in the differentiation of earnings levels.

The new wage regulations react to the dictates of practice and shift greater responsibility to lower management levels, which are in a better position to know the specific conditions of production and can therefore make better informed differentiations than are possible within a unified sectoral or nationwide general adjustment. Above all, in blue collar wage scales there is a need to assign lower levels based on standard examples of contributions, while the assigning of preferential scales remains in the authority of the organization. This will facilitate more substantial differentiation during the introduction of Phase II of ZEUMS, and organizations are given the authority to increase degrees of differentiation when this is deemed desirable.

This trend is also evident in THP compensation, where in addition to the differentiated utilization of preferential wage scales, the nationwide regulation provides for the classification of individual functions into basically two wage classes. At the same time an employee will always be entitled to a classification in the lower of the two wage rate classes; promotion to the higher class is determined by the organization and depends on an individual's handling of more complex, difficult or responsible work or on superior work performance over the long term.

Adherence to these principles makes it possible (even more so when personal evaluations are utilized) not only to differentiate between compensation for individual THP, but also, just as for blue collar workers, to offer possibilities for promotion to higher wage classes, i.e. for increased wages. The failure to adhere to this principle not only removes this potential, but also generates high requirements for wage fund resources during the implementation of Phase II of ZEUMS.

Therefore, both organizations which were preparing to implement Phase II of ZEUMS, at the time of the first quantification of wage fund requirements, had to make basic decisions concerning the application of preferential wage scales and to verify labor output, the regulations governing work activity, and the assignments of THP to the individual classes. Then they could complete the quantification of requirements for wage funds and determine the extent to which they could satisfy these requirements from current wage fund resources and therefore also the amount that they were lacking.

Where to Obtain the Resources

The upgrading of tasks for 1985 and the resultant harsher conditions for counterplans created a situation in both organizations in which the acceptance of upgraded tasks and the accompanying increase in wage funds was inadequate. In the CKD plant the upgrading of the tasks in the 1985 plan made it impossible to adopt a counterplan. The East Slovak Ironworks, to be sure, increased adjusted values added, but even so did not succeed in creating enough wage fund resources. Attention has therefore been focused elsewhere than on the counter plan.

The ZEUMS program is by no means a one-time project, and certainly is not a matter for only 1 year. In Phase I the improvement, expansion and objectivization of standards took for practical purposes 3 years. Along with these standards there was an expansion of new and progressive wage forms. The introduction of Phase II of ZEUMS will not mean an end to these tasks, which will still be the object of inspections. If, therefore, requirements increase for wage funds in Phase II a request for higher plan targets is clearly in order, but this is not the only way.

An organization can also fulfill the nonupgraded plan tasks, but at a less wage intensive level. It can utilize its organizational and managerial activity to assure slow wage growth and to shift the conserved resources to Phase II of ZEUMS. Specifically the East Slovak Ironworks and the CKD plant have focused on conserving wages from the available wage funds for 1984 as well as the wage funds from material export incentives.

The Ministry has supported this approach in conjunction with the ZEUMS program and the preconditions for its introduction. We have also accepted it when it appears in organizational requests for the introduction of Phase II of ZEUMS. This strategy is also supported by the Federal Ministry of Labor and Social Affairs, and has also received the approval of the Government Wage Commission.

Experience For Others

The preparations of the East Slovak Ironworks and the CKD plant make it possible to draw the following conclusions regarding the approach of other organizations.

An application may be submitted to implement Phase II of ZEUMS only after fulfilling plan tasks for the current year and assuring the tasks in the guidelines for the upcoming year.

The criteria established for Phase II of ZEUMS must have been met. The fulfillment of every criterion must be reviewed by a divisional administrative commission which evaluates the application of an organization for permission to implement Phase II. Approval may be given only in those instances when the tasks stemming from the criteria and conditions established by the government have been completely fulfilled.

Objectives in the area of wages must be in accordance above all with requirements for the established structure of wages. The Government Wage Commission has in great detail evaluated the objectives for compensation following the implementation of Phase II of ZEUMS. In one case, for instance, an organization as a whole assured the requisite percentages for premiums and bonuses. The percentages differed, however, for THP and those for blue collar workers did not even reach the required level. The Government Wage Commission therefore required that increases in earnings be directed solely to the deficient areas, thereby creating the opportunity for an incentive role of wages.

In another case the Commission considered the role of personal evaluations for blue collar workers to be too low and required that it be expanded and made more sophisticated on the grounds that premiums and bonuses represented too large a percentage of earnings. In both cases the Government Wage Commission ruled that wages must be differentiated primarily in favor of those employees responsible for technical development and producty quality.

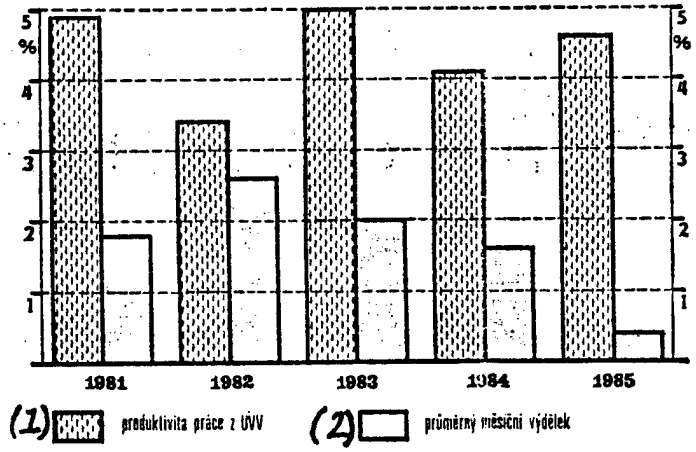
In the objectivization of the standards base for labor consumption and the expansion of the standards base it is essential to regard the fulfillment of the tasks of Phase I of ZEUMS as merely a precondition for further work on a long-range program. For this reason also, the Government Wage Commission has quite clearly formulated tasks for organizations. In one case it considered the percentage of employees not covered by labor consumption standards to be too high and ruled therefore that intensive work must continue in upcoming years to expand the standards base. In another organization, despite excellent performance in objectivizing labor consumption standards and in reducing their overall levels, the Commission did not think that the attained levels were low enough to reflect socially essential work. It therefore set specific tasks for the near future.

The Government Wage Commission has ruled that the organizational objective of increasing planned earnings is justifiable and feasible on the conditions that it will be supported by a corresponding increase in labor productivity. This led directly to an upgrading of the target for increased labor productivity in the organizations from 0.3 to 0.5 percent. At the same time, both organizations face the task, after the implementation of Phase II of ZEUMS, of achieving an increase in average wages that is roughly equivalent to that of previous years.

Regarding wage fund resources it must be assumed that in Phase II of ZEUMS it will be possible to achieve even average wages in excess of the plan, for which resources can be used that are specified in the plan, including resources obtained by adopting higher tasks in a counterplan. Assuming that the ratio is maintained between average wages and labor productivity as established in the plan, it is possible to utilize uncommitted funds from the bonus fund of 1984 up to one percent of the wage fund resources of the organization. Moreover, it is possible, independent of the ratio between average earnings and labor productivity, to utilize resources which have been allocated to the organization from the export incentive fund for 1984.

Experiences are already indicating that thorough preparations within organizations for the transition to Phase II of ZEUMS can result in the further mobilization of work initiative and to improved resource utilization. This in turn leads to the adoption of higher targets for adjusted value added, profit, and therefore to increased national income formation. For 1985 our objective is to implement Phase II of ZEUMS for about 200,000 employees in our sector, which can make a significant contribution to state plan objectives and to the fulfillment of the objective of the program--what has come to be called increased economic efficiency based on new wage systems.

Increased labor productivity based on adjusted value added and increases on average monthly earnings in the Metallurgy and Heavy Engineering Sector, 1981-1985 (1983=plan) (increases throughout in percentages compared with preceding year)



Key:

1. labor productivity based on adjusted value added
2. average monthly earnings

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CZECHOSLOVAKIA

AGRICULTURAL DEVELOPMENT ASSUMPTIONS FOR EIGHTH 5-YEAR PLAN

Bratislava EKONOMIKA POLNOHOSPODARSTVA in Slovak No 1, 1985 pp 1-3

[Article by Eng Karel Jelinek, candidate for doctor of science, deputy chairman of State Planning Commission]

[Text] The feeding of our people occupies a significant and indispensable place in the economic structure of our society. Food quality is one of the preconditions for the contentment and productive work activity of our citizens. In a developed socialist society good food is an inseparable component of the standard of living of the population, of internal and external stability and of public opinion.

In the 35 years of socialist development our agriculture and food industry has evolved into a mature national economic sector. This sector currently employs 22 percent of the production work force and controls about 20 percent of the installed national capital stock. It enters the second half of the 1980s, along with other branches related to food, as a mature national economic complex outfitted with significant production potential and qualified personnel. The preconditions have thus been put in place for further effective growth in its productivity, enabling it to meet its strategic objective--a gradual increase in the quality of the food supply and the strengthening of our self-sufficiency in food production.

In line with the resolutions of the 16th CPCZ Congress, which called for thorough implementation throughout the national economy of a substantial increase in economic efficiency, economic intensification, and the quality of all work, the Long Range Program for the Development of Agriculture and Other Sectors Concerned with the Feeding of the Population was formulated and discussed at the 11th CPCZ Central Committee Plenum.

This program, which has been formulated through 1995, is also serving as a starting point for a draft of the Eighth 5-Year Plan for 1986-1990, and represents the first stage in the realization of the long range economic policy objectives of the Party after 1985.

An essential precondition for the fulfillment of this task will be an increase in the intensity of agricultural production through the purposeful utilization and accelerated practical implementation of research and development results, and the increased utilization of existing and modernized production facilities to achieve better production results. We will have to increase the extent to which underutilized domestic capabilities are incorporated into the production process, limit the relatively large current levels of loss, reduce power and materials intensiveness, and more effectively utilize capital stock. An important factor in the further growth of agricultural production will also be improvement in the organization and management of production processes and equipment that is appropriate for the demanding conditions and biological character of agricultural production.

Continuing on the Path to Effective Management

In embarking on the Eighth 5-Year Plan it is important not to waste the positive results that were achieved in 1984, to improve the qualitative indicators of agricultural production, as well as to assure the fulfillment of the tasks established by the draft state implementation plan for 1985.

After evaluating the results achieved during the Seventh 5-Year Plan, considering the potential for assuring the requirements for increasing production volume and intensity, and in order to cover national economic needs it will be necessary in the 1986-1990 period to increase agri= cultural production by an average of 1.5 percent annually.

Increasing plant production and raising yield stability so as to develop reserves against harvest fluctuations will play a major role in the development of agriculture.

The most important task for developing agricultural production is to use the available soil stock very efficiently and intensively. Important measures adopted on the basis of decisions of the 4th CPCZ Central Committee Plenum have resulted in a situation in which concern for the soil stock has become a matter not only for agriculture, but for the entire society as well. While in 1970-1980 the average annual loss of agricultural soil was 24,200 hectares, 14,100 hectares of which was arable land, in the first 3 years of the Seventh 5-year Plan this decline has slowed to 5,300 and 1,700 hectares respectively. In addition to achieving this significant stabilization of the soil stock both investment and noninvestment measures have been adopted to increase soil fertility. Investments in soil reclamation amounted to Kcs 5 billion in the first 3 years of the Seventh 5-Year Plan. A total of 144,400 hectares of drainage systems and 40,700 hectares of irrigation systems were installed, 1,260 kilometers of waterway was cleaned up, and 13.4 million cubic meters of ponds and reservoirs constructed. On an annual basis 80,000 hectares of sandy and heavy soils were reclaimed, and lime was applied to 220,000 hectares of highly acidic soil. A halt has been placed on increases in areas currently lying fallow.

It is essential that we maintain the following positive trends over the long term: allowing only an absolute minimum of soil losses, and attempting to have those that must take place be of lesser quality soil. All equipment, agrotechnical methods, and investment projects should be geared to preserving the soil as a living organism.

To further improve our care of the soil stock it is essential to improve the controlling activities of the national committee offices engaged in the protection of the agricultural soil stock. Their work should be focused on achieving a consistent correspondence between the documented and actual use of every parcel, on the fulfillment of decisions concerning conditions established for freeing up agricultural land for capital investment purposes or other uses, as well as on the conduct of supplementary recultivation and the sensible use of soil for agricultural production.

To intensify plant production it will be essential to accelerate the construction of water resource development projects, including both drainage and irrigation projects, so that by 1990 drainage systems will have been completed on about 85 percent of the plots that need them and irrigation systems on about 36 percent of the plots requiring them. This will make it necessary in the near future to intensify the construction and upgrading of drainage and irrigation systems and to find new sources of water for irrigation. In conjunction with this, however, we must make much better use of that land that has been the object of a water development project. This includes the development of more appropriate biological stock for irrigation conditions, improving the organization of irrigation use, the maintenance of drainage and irrigation equipment, as well as the delivery of better quality irrigation equipment, especially that designed for high stands.

We must do much more than we have so far to preserve the production profile of the soil, to improve its physical, chemical and biological properties through agrodevelopment measures of a noninvestment character. These involve primarily measures focused on protecting the soil from erosion, on the surface and biological treatment of permanent stands of grass, on the reclamation and improvement of soil with extreme physical and mechanical properties, on modifications in the nutrient program, on the reclaiming of devastated land, and on minimizing the influence of other factors that lower soil fertility. These measures include the assurance of better sources of organic materials including the use of green manures and organic industrial wastes. Agrochemical enterprises must play a role in this regard.

A major task of plant production, in line with the long term view, remains the resolution of the grain and the protein problem. While during the Sixth 5-year Plan an annual average harvest of 10 million tons was achieved, and the projected average for the Seventh 5-year Plan will be 10.6 million tons, the guidelines for the Eighth 5-year Plan call for average annual harvests of 11.1 million tons. This will certainly necessitate the maintenance of the area sown throughout the

Eighth 5-year Plan at the level projected for the Seventh 5-year Plan in 1985, i.e. 2.6 million hectares (with arable land accounting for 54.3 percent of this) and the development of solutions that will make possible its expansion under appropriate production conditions. In the interest of improving the composition of concentrated fodders, corn for grain must be grown much more intensively than has been the case to date.

No less important a task to improve the relationship between the supply and demand for grains in the national economy and to assure the smooth, even development of livestock production is that of increasing the harvest and the quality of bulk fodders not only from arable land, but mainly from pastures and meadows so that by 1990 the yield will amount to a total of 16 million tons, as opposed to the 14.5-15.4 million ton average of 1981-1983. Regarding the structure of the bulk fodder harvest, it will be necessary to increase the percentage of clover and alfalfa to 18 percent of the total arable land and, depending on local conditions, to deviate time to the cultivation of crops which yield the greatest nutrient production per unit of soil, including root fodder crops.

The projected growth of bulk fodder production will be to a great extent dependent on the full utilization of all plots and a reduction in the previous high volumetric and qualitative losses in harvesting, storing and usage. The necessary material conditions have been gradually developed, moreover, for increased production of what have so far been hard to find equipment for harvesting, especially machines for harvesting fodder crops from slopes, equipment for hay mows and central fodder preparation stations, and for the construction of silage and hay silage pits.

The proposed development of bulk fodder production will not only fully cover demand for it, but will make it possible to develop reserves of bulk fodders at agricultural enterprises to cover shortfalls in the fodder harvest in poor growing years.

To meet demand for food and to increase self-sufficiency increases in the production and procurement of the following crops are planned: of oil seeds to 378,000 tons by 1990 (11.8 percent more than in 1985); and of hops to 15,000 tons (a 5.6 percent increase). Moreover, the production is planned of about 3.7 million tons of potatoes, 1.3 million tons of vegetables, 700,000 tons of fruit, and 113,000 tons of flax (wet stalks).

A difficult but absolutely essential task faces sugar beet growers, namely rectifying harvest volumes and sugar content of crops which, despite a long growing tradition and favorable growing conditions, have not met plan targets for a number of 5-year plans now. This has to a large extent resulted from inadequate mastery of mass production growing techniques, the quality of the available biological material and effective harvesting equipment. It will be necessary more conscientiously to

proceed with the development of integrational relationships among agricultural enterprises and their customers and to focus primary attention on the reduction of harvest, storage and processing losses.

Therefore, in the Eighth 5-Year Plan it will be essential to stabilize the sugar beet harvest at 8 million tons and to achieve a sugar content of at least 16.2 percent by 1990.

The development of plant production must be assured to a large extent by increasing per hectare yields. This will necessitate the implementation of an entire set of agrotechnical and growing measures, in addition to the proper utilization of natural and artificial fertilizers.

In the chemical industry plans call for assuring increases in deliveries of artificial fertilizers to 270 kilograms per hectare of agricultural land, including an increase of 7.8 percent of nitrogenous fertilizers, 7.8 percent for phosphorus fertilizers, and of 5.5 percent for potassium, which corresponds to the findings of agricultural research and practice.

In the interest of increasing the effectiveness of artificial fertilizers it will be necessary to development and implement set of measures to improve their quality and composition as well as their application under conditions of proper agricultural technology, an increase in the humus content of the soil and a reduction of acidic soils.

Demand for chemical soil protection preparations has been increasing substantially, botn in terms of their volume and quality related to specific applications, and in terms of reducing their toxicity as well as assuring deliveries of biofactor supplements, vitamins, amino acids, mineral additives, preservatives, veterinary medicines and medical preparations. These requirements will be fulfilled primarily by domestic chemical production and by cooperation with CEMA countries.

The proposed development of livestock production is based on the premise that this development must take place based on domestic fodder sources, on a reduction in per unit fodder consumption, and on a gradual reduction in imports of protein feeds. The results which have been achieved in rationalizing the consumption of fodder are making it possible to reduce the valid norms for the consumption of concentrated fodders by at least 5-7 percent.

In conjunction with the current favorable development of livestock production the comprehensive regulation of herds of economic animals according to plan guidelines while at the same time assuring the requisite slaughter weights and an increase in usefulness continue to be regarded as basic policies. The planned increase in meat consumption will be assured primarily through developments in the production of slaughter cattle.

With regard to the estimated actual supply of fodder, and in connection with the necessity for creating reserves, an increase is anticipated in 1985 of the procurement of slaughter animals for consumer goods inventories of 4.8 percent in comparison with the level planned for the Seventh 5-Year Plan. This figure represents an average of a 6.1 percent increase for slaughter cattle and a 2.1 percent increase for slaughter swine.

Increased procurement of milk based on an increase in average yield per cow is anticipated to be 11.6 percent, and egg procurement is expected to be up by 5.2 percent. Procurement of slaughter poultry should remain at the level of 1985.

Concentrated herds of economic animals will require the application of preventive and treatment measures to preserve the health of the animals, and the construction of facilities which assure not only high labor productivity but which are also designed to reflect the biological requirements of herds.

An essential requirement related to an increase in the intensity of agricultural production is environmental preservation, primarily water quality and the quality of agricultural production. This will necessitate an increase in preventive and control activity in agricultural production itself and in the production activities of the foodstuff industry. This is mainly a matter of the application of fertilizers and chemicals according to established approaches and of the limitation of foreign substances in foods.

In the capital investment sector it is projected that the total volume of capital investment for the Eighth 5-year Plan will remain roughtly at the level of that of the Seventh 5-year Plan.

For the above reasons it will be necessary to assure the required growth of agricultural production above all by upgrading obsolete facilities, renovation, the expansion of and an increase in the quality of the machinery and equipment stock. The construction of new facilities must be carried out so as to correspond fully to agrotechnical and zootechnical specifications and so as to implement an efficient degree of production concentration. Construction projects and equipment related to plant production, including soil reclamation and warehousing projects, must be considered a priority.

Improving the Intersectoral Relations of the Complex

In the industrial sectors that supply the agrofood complex with specific inputs there will be a substantial investment of resources in line with the program for the Eighth 5-year Plan in order to assure the coverage of increased requirements. This increase in investment intensiveness for the supplier industries as well stems from the fact that these sectors, along with the agriculture and food sectors, are the determining factors in increasing our self-sufficiency in the production of food through their deliveries of production assets and other requirements.

For this reason, during the period of preparation and implementation of the Eighth 5-Year Plan it will be necessary to devote systematic and rigorous attention to the intensification and improvement of these intersectoral relationships.

We will request an increase in the responsibility of supplier sectors and lower levels of management for the assurance of deliveries of those items which fall under their budgetary authority.

In the mutual relationships throughout the agro-industrial complex it is essential to constantly make requirements clear regarding the structure and volume of deliveries, and to seek ways to reduce delivery times.

We are assuming that deliveries of machinery and equipment will increase for agricultural production and the food industry. Here as well we must demand from all levels of management increased responsibility for the effective utilization of all inputs.

Current developments in agricultural production and the gradual development of the conditions in the other branches of the agro-industrial complex are providing a solid foundation for the successful fulfillment of the resolutions of the CPCZ Central Committee Plenum.

Already, during the preparation stage, the preconditions have been established for the successful continuation in the Eighth 5-Year Plan of the developmental trends begun by socialist agriculture in the Seventh 5-Year Plan. It must be anticipated, however, that in connection with the performance of the past 2 years there will still be some isolated adjustments to the guidelines for the next 5-year plan.

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CZECHOSLOVAKIA

ENGINEERING VALUE ADDED, WAGE ACCRUAL ANALYZED

Prague FINANCE A UVER in Czech No 12, 1984 pp 808-816

[Article by Eng Alfred Sebek: "Adjusted Values Added in Engineering and Wage Fund Accrual"]

[Text] The Set of Measures for Improving the Planned Management System after 1980 outlined a number of measures designed to emphasize the qualitative aspects of the capital replacement process and to strengthen the intensive directions in our economic development. One of these measures provided for the improvement of the system of indicators used to describe and evaluate economic development and various aspects of the activities of organizations, economic production units [VHJ], sectors, and to allocate wage funds and to focus economic incentives. Adjusted value added [UVV] is the indicator most characteristic of this new approach to the evaluation of economic performance. Its significance and importance within the system of national economic plan indicators stems not from its degree of obligatoriness (adjusted value added is not established as a binding target of the state plan) but rather from the fact that it forms the basis for the wage fund allocation mechanism. The volume and evolution of UVV, under the Set of Measures, determines the basic component of the wage fund. These in turn, in the engineering sector, for instance, account for about 80 percent of total wage fund resources. Adjusted value added has also become the basis for calculating labor productivity and for determining the relationship between its growth and the growth of average earnings.

This basic modification in the system of plan indicators for the 7th Five Year Plan represented a long requested break from indicators of the gross production type (e.g. goods production or total output), which measured the material aspect of production, thereby enabling the enterprise sphere to fulfill its objectives in the form of a socially undesirable increase in or fixation of an unacceptably high percentage of embodied labor. As now defined, adjusted value added approximates net production (understood as production or output performed within a single enterprise - newly created value, economically speaking) and thus corresponds to the requirements of the current stage of development of the Czechoslovak economy, especially from the viewpoint of maximizing efficiency in the allocation and valuation of material and power inputs. Developments in the first 3 years of the 7th Five Year Plan showed that the UVV indicator has had an unambiguously

positive impact; its stimulative affect was evident mainly in its influence on a reduction in material costs, which have been declining more than twice as fast as they were during the 6th Five Year Plan.

In recent years, however, the national economy has faced a situation in which wage funds have been increasing more rapidly than projected by the plan, and faster than public resources were being generated to cover them. This came to light at the nationwide conference of the CPCZ Central Committee in August of last year, and the State Bank reached the same conclusion during its evaluation of the currency plan. At the same time, the system for allocating wage funds based on the formation of adjusted value added has been fulfilling its regulatory function, with a majority of organizations and VHJ drawing upon wage funds in accordance with established regulations. The number of cases where wage fund limits have been exceeded is declining. It is clear that the plan and economic mechanisms are not as yet developing the requisite economic pressure. Conditions for the accrual of wage funds are not rigorous enough and make possible deviations from publically generated resources.

For this reason, the main tasks facing the Czechoslovak State Bank this year include analyzing the wage situation in conjunction with adjusted value added formation in the engineering sectors - the Federal Ministry of Metallurgy and Heavy Engineering [FMHTS], The Federal Ministry of General Engineering [FMVS], and the Federal Ministry of the Electronics Industry [FMEP]. These calculations have been based on results of adjusted value added fulfillment targets and the related wage fund accrual for 1983 and the evolution of these indicators in the first quarter of 1984.

Composition of adjusted value added

The planned composition of adjusted value added in 1983 was successfully fulfilled in all engineering sectors. The basis for the positive plan fulfillment record in the adjusted value added area was the acceleration of the planned pace of production, which itself was then exceeded. This was evident in an increase in total output in comparison with 1982 of 101.3 percent in the FMHTS, 105.4 percent in the FMVS, and of 108 percent in the FMEP. The increase in output in 1983 was the primary source of increases in adjusted value added. This is evident from an overview of the main factors contributing to the increase in UVV, see the following table.

Table 1.

UVV Output Configuration	FMHTS	FMVS	FMEP
Total increase in UVV (million Kcs)	2,611	3,504	1,982
(in percent)	5.6	8	10.9
percentage of above accounted for by:			
-- increased output	69	67	74
-- savings of material and other costs, excluding depreciation	24	34	26
-- financial sanctions	7	-1	-

If one studies the sources of overfulfillment of the plan for UVV in 1983 a major role was clearly played by exceeding the planned levels of total output. In comparison with the plan, financial costs of a penalty nature always have a negative impact. This occurs because such outlays are always unplanned and therefore their entire amount becomes a negative factor. See Table 2.

Table 2.

UVV Output Configuration	FMHTS	FMVS	FMEP
Total amount in excess of UVV plan	1,023	1,104	354
(million of Kcs)	2.1	2.4	1.8
(in percent)			
percentage of above accounted for by:			
--exceeding output targets	54.3	74.6	79.4
--greater than planned savings of material and other costs, excluding depreciation	59.3	70.5	66.6
--financial santions	-13.6	-45.1	-46.0

The growth rate of output and the amounts by which planned targets have been exceeded have their basis in the growth rate of production. This is why the role of this factor is least evident in the sector with the lowest production and output growth rate, the FMHTS, and most evident in the FMEP, which had the greatest increase in production and output. The other components of output formation, including preferential and penalty pricing, are not significant factors. The decline of the role of preferential pricing has resulted in part from an experiment aimed at increasing the efficiency of foreign economic relations. According to regulations, preferential pricing does not apply to exported production. In the FMHTS preferential pricing accounted for 0.3 percent of that sector's output in 1983. The figures for the FMVS and FMEP were 0.5 percent and 0.7 percent respectively.

The principal reasons for the slow growth in production and output in 1983 in the FMHTS sector was a slowdown in the pace of materials and power intensive metallurgical production, although production and output declined in other VHJ as well.

For instance the Ostrava Vitkovice VHJ experienced a decline in production in 1983 to 98.7 percent of 1982 output. This resulted primarily from an overhaul that was being performed on blast furnace No 4, which resulted in a decline in deliveries of pig iron to the mill's customers. The reduction in the metallurgical output of this VHJ was not compensated for by increases in output from the engineering divisions of the firm.

At the Bratislava RBMZ VHJ output declined to 99.1 percent of 1982 levels due primarily to a decline in the price of silver (a shortfall of Kcs 354 million) that could not be compensated for by increasing production and extraction.

The fulfillment of UVV targets is proceeding smoothly thus far in 1984. All its major components are contributing roughly equivalent percentages to increases in UVV as in 1983. In the FMVS and FMEP, because of their more rapid growth rates, output is accounting for an increasing percentage of UVV. See Table 3.

Table 3.

UVV Output Configuration	FMHTS	FMVS	FMEP
Total UVV increase (millions of Kcs)	666	1,307	693
(in percent)	5.1	12.4	15.7
percentage of above accounted for by:			
--increased output	58.2	73.5	82.1
--savings in material and other costs, excluding depreciation	47.4	23.6	15.5
--financial sanctions	-5.6	2.9	2.4

Current results in the fulfillment of planned output and UVV targets in the engineering sectors indicate that task fulfillment levels established for 1984, including the stricter indicators adopted by the 10th CPCZ Central Committee Plenum, are feasible and will be met. Among the complicating factors are the fact that in actual plan fulfillment for 1984 there are significant price related (especially increased prices for fuel and power) and methodological influences, above all the consequences of decree No 37/1983, Sbornik, concerning invoicing and payments for investment projects. The incorporation of these factors into the implementation plan for 1984 and into the comparative results for 1983 is a problem the successful resolution of which will be fully confirmed only by comparing actually achieved values with plan projections. It is also necessary to take account of the gradual phasing in of Decree No 37/1983, the impact of which will not be significant on the total 1984 output figures of the engineering sectors (in the FMHTS, for instance, Decree 37/1983 will account for a reduction in output of only 0.1 percent). It may well have a more significant impact, however, on specific contractors for investment projects.

An additional important source of UVV formation are savings in material and other costs, excluding depreciation and services of a nonproduction nature. Engineering sectors are devoting considerable attention to these areas and for a number of years already have been successfully fulfilling and exceeding established targets for savings in material and other costs. The motivational impact of the UVV indicator is evident here, since it has provided an incentive for enterprises and VHJ to cut their materials costs.

Material and other costs, excluding depreciation, as a percentage of output in 1983 and on a comparative basis with 1982 are shown in Table 4.

Table 4. Material and other Costs, Excluding Depreciation, per Koruna of Output (expressed in halers)

Sector	actual-1983	difference		index
		from plan	from actual 1982	1983/1982
FMHTS	71.30	-0.35	-1.04	98.6
FMVS	63.28	-0.60	-0.91	98.6
FMEP	53.81	-0.53	-1.17	97.9

Every major area of material costs - materials consumption, fuel and power consumption, and maintenance and repair costs - contributed to the reduction in material and other costs in comparison with both the plan and the previous year's performance. The reduction in materials, fuel and power consumption came about in conjunction with state priority program 02 - rationalizing fuel consumption, and 03 - rationalizing metals consumption. In addition to the efficiency-enhancing measures in production (the introduction of new technology, a reduction in the percentage of low quality products, new product designs, etc.) reduced materials consumption also comes about due to savings of imported raw materials and materials, the increasingly effective utilization of raw materials, focusing on production that is less materials intensive, and in some cases pricing changes (such as the reduction in the price of silver from Kcs 19,400 per kilogram to Kcs 7,000 per kilogram and the resultant reduction in the price of electronics components, etc.). In addition to reductions in the consumption of direct materials, attention is also being deveoted to conserving indirect materials as well.

In the FMVS sector, for instance, in 1983 it was possible to maintain the same growth rate of overall overhead costs even while increasing output. Overhead as a percentage of output remained the same as it was in 1982. For 1984 this sector has set one of its top priority goals as a reduction in production overhead. This will represent a significant change from the 6th Five-Year Plan when overhead as a percentage of output increased continually.

The evolution of materials consumption continued to be favorable in the first quarter of 1984, when savings were reported both in comparison with plan targets and in comparison with the same period in 1983, despite the fact that in certain VHJ there was a considerable increase inthe material intensiveness of production. In addition to the increased prices of metallurgical material, which has been accounted for in the plan and in the recalculations of comparative 1983 performance (in the Metallurgical Processing Industry VHJ, for instance, in 1984 the index of material consumption was 110.5, but when price influences are excluded the index comes to 97.7 in comparison to an output index of 98.4), some VHJ are feeling the impact of a rapid increase in materials intensive production (such as the Tesla-Investment Electronics VHJ) or the consequences of increased cooperation, resulting in an increased percentage of procured components and subsystems in final production (such as the Prague Automation and Computer Technology Plants).

Planned tasks for reducing fuel and power consumption under state priority program 02 have been successfully met in all engineering sectors. This has had a positive influence on the overall development of material costs and therefore also on UVV formation. In comparison with the planned level of fuel and power consumption, savings were recorded in 1983 of 3.7 percent in the FMHTS, 2.3 percent in the FMVS, and 3.5 percent in the FMEP. These savings are especially important in that sector with the greatest fuel and power intensiveness of production, the FMHTS, where the amount resulting from savings in fuel and power in comparison with the plan came to Kcs 0.4 billion. This came about primarily as a result of efficiency enhancement and intensification measures in metallurgy which reduce fuel and power consumption and make it possible to close down obsolete operations (such as the termination of the production of SM steel at the Bhumin Iron and Wire Works). All sectors are implementing small scale efficiency enhancement projects in increasing numbers which, when taken together, will amount to significant savings. A push in this direction was given by the public inspection of fuel and power management. Attention is being focused primarily on the replacement of energy intensive facilities with more efficient installations, the rebuilding and modernization of heating plants, improving the insulation of facilities and machinery, greater utilization of waste heat, and reduction in the energy intensiveness of production processes, etc.

The objectives for fuel and power conservation in 1984 are still more rigorous. The FMHTS, for instance, has been assigned the task in state priority program 02 of conserving in 1984 16,500 terrajoules of power, in comparison with the planned conservation of 15,303 terrajoules that was specified for 1983. The plan breakdown specified a target that was stricter by 1.75 percent. There is reason to expect that even this more ambitious goal will be exceeded.

Savings in excess of planned targets - which were not always economically justified - is also being achieved in expenditures for repairs and maintenance. In 1983 the amounts expended from these accounts in the FMHTS were 3.1 percent lower, in the FMVS 0.8 percent lower, and in the FMEP 2.9 percent lower than in the previous year. This lower level of expenditures stemmed mainly from problems in lining up contracts for externally performed repairs because of insufficient capacity at repair enterprises. Enterprises are attempting to make up for this shortage of capacity by setting up their own repair operations, which can perform repairs less expensively than an external contractor (this was the reason that cost savings of Kcs 1.6 million on repairs were recorded by the Roznov Tesla VHJ). Decin Kovohut national enterprise is another example, where general overhauls were performed in house in 1983 at a considerable cost savings. (See Table 5).

Table 5. (Figures in thousands of korunas)

Source	plan	actual	fulfillment (percent)
external contractors	12,604	10,119	80.3
in-housefacility	11,788	13,391	113.6

An example of an enterprise where planned repairs were severely limited was the Poprad Vagonka enterprise, where costs for repairs and maintenance came in Kcs 11.4 million under projections.

Because planned outputs were exceeded and projections for cost outlays were underfulfilled all engineering sectors were also able to overfulfill planned targets for profit formation and for the related critical indicator of return on production assets, the fulfillment of which determines the incentive component of the wage funds. Table 6 shows the fulfillment of objectives in this area.

Table 6.

Sector	profit targets exceeded by		return on production assets (percent)		
	million korunas	percent	planned	actual	fulfillment %
FMHTS	1,431	11.8	5.31	5.92	111.5
FMVS	1,330	8.3	10.38	11.26	108.5
FMEP	479	6.6	15.48	16.42	106.1

From this overview it is clear that fulfillment of the return on production assets indicator for practical purposes is equivalent to the level of fulfillment of profit targets. The differences between them are insignificant even given the deviations which occurred in the fulfillment of targets for inventories, especially in the FMHTS sector. This is confirmed by the fact that the return on production assets indicator is sensitive, stimulating primarily the fulfillment of profit targets, while providing less incentive to use production assets efficiently.

The favorable trends in profit target fulfillment continued in 1984. In the first quarter planned profit formation targets were exceeded in the FMHTS sector by 19.5 percent, in FMVS by 37.3 percent, and in the FMEP by 13.9 percent. The percentage fulfillments of the annual targets as of this date (i.e excluding the adjustments made as of 1 June) ranged from 26 percent in the FMEP to 33 percent in the FMVS. The foregoing data indicate that the fulfillment of planned annual targets, even after these were upgraded based on the 10th CPCZ Central Committee Plenum, are feasible for the engineering sectors and will be met.

Wage Fund Accrual

The fulfillment of UVV targets, which for most enterprises and VHJ determines allocations from the basic component of the wage funds, i.e. 80-90 percent of the entire volume of the wage funds, is of critical importance for the development and adherence to limits on wage funds. The return on production assets is the critical indicator for most enterprises and VHJ for allocating the incentive component of the wage funds, or 10-20 percent of the total wage funds.

Both of these indicators were evolving favorably during the course of 1983 and were fulfilled successfully by the end of the year, thereby creating

sufficient leeway in the wage funds. This leeway could be even greater if the targets of the 1983 implementation plan had been supplemented these stricter targets in the form of a counterplan.

The conversion factor for exceeding the plan is 0.4, while in counterplanning the factor is 1.0. In the FMEP sector, for instance, VHJ prepared themselves for this by not adopting higher targets within their counterplans, at a minimum Kcs 50-60 million of the basic component of wages, i.e. about 1 percent of its magnitude. There is clearly an element of caution on the part of some enterprises and VHJ to adopt counterplans. If a counterplan is utilized, it means that wages will evolve at a faster rate than projected in the 7th Five-Year Plan. When adopting a counterplan, VHJ focus mainly on upgrading the indicators that influence the volume of the wage funds, namely adjusted value added and profits. In other parts of the plan tasks are being modernized sporadically. Thus, in the FMVS the contribution of counterplans adopted in 1982 and 1983 implies a greater formation of UVV than provided for in the guidelines to the 7th Five-Year Plan by Kcs 1.484 million or 3 percent, and an increase in the volume of the wage funds of Kcs 449 million, i.e. 2.5 percent of the wage funds.

The critical indicators for the formation of the basic and the incentive components of the wage funds, namely in most instances the UVV indicator and the return on production assets indicator, were fulfilled in 1983 by all VHJ in the engineering sector. By exceeding the planned targets for these indicators, the VHJ of this sector gained basic and incentive components of their wage funds equal to Kcs 400 million in excess of the amounts specified in the plan. The FMHTS accounted for Kcs 170 million, the FMVS for Kcs 172 million, and the FMEP for Kcs 69 million. Some VHJ were not permitted to recalculate their wage funds because they did not meet one or another of the conditioning indicators. In the FMHTS sector Plzen Skoda and Poprad Vagonka were not allowed to recalculate wage funds for this reason. In the FMVS sector neither Brno Agrozet nor Bratislava Strojsmalt were allowed to do so. All of the VHJ in the FMEP sector were able to recalculate their wage funds in 1983, even though during the year some of these VHJ could not do so primarily because they had not fulfilled targets for exports to nonsocialist countries (for instance, the Prague High-Voltage Electrical Engineering Plants VHJ were not allowed to recalculate until the third quarter of last year).

The balance of both positive and negative adjustments to the useable volume of the wage funds is positive in all sectors, with the additional amounts being Kcs 43 million for the FMHTS (0.2 percent of the wage funds), Kcs 29 million in the FMVS (0.15 percent of the wage funds), and Kcs 48 million for the FMEP (0.7 percent of wage funds). The positive adjustments are made for a number of reasons, the weight of which vary with specific VHJ and sectors. For VHJ involved in deliveries for nuclear power plants the positive adjustments consist primarily of bonuses and supplementary payments for work on the construction of nuclear power plants. This is the case at VHJ of the FMHTS sector (Plazen Skoda and Olomouc Sigma), but the greatest impact of these items on the volume of the wage funds is in the FMEP sector, where the High-Voltage Engineering Plant in Prague and the Prague Automation and Computer Technology Plant recorded supplementary payments for nuclear power

plants of Kcs 40 million, or 56 percent of the total volume of such payments for the entire sector, and 0.6 percent of the volume of the wage funds of the FMEP. Other supplementary amounts include bonuses for improvement suggestions, for thematic tasks, for propellant conservation, etc. For informational purposes the supplementary categories for the FMHTS are as follows:

Categories	in million korunas per
total supplementary amounts	96.6
of which:	
conservation of selected petroleum products	31.1
high technical sophistication	21.2
high quality	13.6
improvement suggestions	12.6
nuclear power plants (bonuses, stabilization, overtime)	4.5
training of foreigners	4.0
methodological influence of punishment	3.6
loan repayment	2.2
Salahudin - supplementary payments	1.9
other (exterior assembly, waste metal collection, etc.).	

Most of the negative items consist of interest sanctions; these account for 66 percent of the total negative items in the FMHTS sector and 0.3 perent of the volume of the wage funds, while in the other 3 sectors 96 percent of these items are interest related, representing 0.4 percent of the volume of the wage funds in the FMVS sector, and 0.3 percent of the volume of these funds in the FMEP sector.

All sectors in 1983 reported underallocations from their wage funds; Kcs 574 million for the FMHTS, Kcs 444 million in the FMVS, and Kcs 228 million in the FMEP, or about 3 percent of the total volume of the wage funds.

Even in the first quarter of 1984 all the engineering sectors reported continued substantial underallocations on their wage funds, even though it was not possible to recalculate during this period. This fact indicates that there is a certain latitude in the ties between the wage funds and the UVV, the more so that the breakdown of the UVV plan for the first quarter represented a higher percentage of the annual target than wages. A second view cannot be ignored, however, namely that the VHJ increased their efficiency in allocating wage funds.

It is possible to document data on the development of wage costs per koruna output in the first quarter of 1984 in comparison with an operating plan and with the actual performance for the first quarter of 1983. See Table 7.

Table 7.

Sector	Wage Costs per Koruna of Output			
	plan(halers)	actual(halers)	fulfillment (percent)	index 84/83
FMHTS	36.93	35.27	95.5	98.4
FMVS	39.56	37.90	95.8	93.1
FMEP	37.77	36.27	96.0	91.6

Positive preconditions have thus been created for the fulfillment of planned tasks in the wage area during the remainder of 1984.

The relationship within the engineering sectors between the increase in labor productivity (from UVV) and the increase in average wages, as the data for 1983 show, has been developing quite favorably. See Figure 8

Table 8.

Sector	sold work from UVV		average wage		leadtime of sold work	
	plan fulfillment	index 83/82	plan fulfillment	index 83/82	plan fulfillment	actual development
FMHTS	102.3	105.0	101.3	102.0	+1.0	+3.0
FMVS	102.6	106.9	101.6	102.7	+1.0	+4.2
FMEP	101.9	109.3	101.1	102.4	+0.8	+6.9

This favorable development continued into the first quarter of 1984, when there was a further speeding up of the growth in labor productivity especially in the FMEP sector which means, in view of a more rapid increase in average wages, an increase in the lead time of increases in labor productivity over average wages, and of this entire sector by almost 9 points. Similar developments are going on in the FMVS and FMHTS sectors.

Conclusion

The growth rate of adjusted value added and of profits in the engineering sectors was, then, favorable in the first 3 years of the 7th Five-Year Plan, and especially so in 1983. Plan objectives have also been well fulfilled. An analysis, however, at the same time gives one food for thought concerning several facts which are connected with the use of the UVV indicator in economic practice.

The first of these is the question of establishing planned tasks in such a way that they mobilize efforts effectively and generate on the one hand sharp economic pressure to increase production efficiency, and on the other hand so that their connection with the basic component of the wage funds exerts pressure on the desired development of wages. It is clear that there is the related question here of rationality of the system of wholesale prices, including the proper enumeration of a comparative level of UVV in specific years, from which thoughts and calculations concerning possible growth in upcoming periods are derived.

The relative ease of fulfillment and the significant overfulfillment of planned tasks by most enterprises, even in those instances when financial penalties (deficits, damages, fines and penalties) are increasing indicates that the plan is not always established strictly rigorously.

The question of the ways in which adjusted value added is increased, or the over-fulfillment of plan objectives attained deserves at least some preliminary study. This is primarily a matter of pricing issues; for instance, an evaluation of the factors in the growth of UVV in 1983 and in 1984 yield diametrically opposed results depending on whether one uses current or constant prices. Official reporting and evaluations are based on a constant price level, which is clearly the correct approach, although when using this technique the possibility of inaccurate calculations cannot be ignored (because of change in the structure of production, etc. they for practical purposes cannot be avoided). In addition to price issues one should not overlook the technique for achieving savings in certain areas of material costs, e.g. outlays for repairs. Even though enterprises justify these expenditures by citing a lack of repair facilities on the part of contractors, one must treat the attempt to recalculate wages according to UVV on these grounds as being unjustifiable. After all, this is a completely unmerited increase in UVV, and should be treated the same as unnecessary attention to capital assets. For this reason I suggest that for the 8th Five-Year Plan measures be adopted that subtract balances remaining in the accounts for repair and maintenance of capital assets from adjusted value added.

The documentation of branches and professional divisions of the bank on the basis of which this analysis of adjusted value added was formulated also contained a notice regarding certain problems related to the existing structure of UVV. These are undoubtedly important questions that have in part been treated in the pages of the professional press and been frequently discussed, but a deeper treatment of which is beyond the scope of the analyses performed to date. They include, above all, the question of capital asset depreciation (and the view that deducting depreciation from UVV would stimulate greater utilization of the capital stock), interest on bank loans (and the contention that subtracting these from UVV would increase the intensity of the influence of this important banking instrument) and export performance (and the view that including this category in UVV would increase the incentives to increase the efficiency of foreign trading relations).

In conclusion it may be stated that the UVV indicator is exerting a positive influence on the khozraschot shpere and that it has contributed significantly, along with direct management techniques in the form of binding limits, to support and implement efficiency objectives. At the same time it should be emphasized that plenty of opportunity exists at all levels to develop. The demanding conditions, based on the experiences of 1983 and 1984, for implementing more demanding planned tasks, as well as UVV targets and wage fund objectives. This is also true, of course, for the sectors of our engineering inudstry.

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GERMAN DEMOCRATIC REPUBLIC

DEVELOPMENT, IMPORTANCE OF PRIVATE AGRICULTURAL PRODUCTION

West Berlin FS-ANALYSEN in German 3-84 (signed to press Aug 84) pp 1-46

[Report by Karl Hohmann]

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Summary

The following analysis classifies as private agricultural producers not only individual private farmers and horticulturists but also agricultural enterprises owned by the Church, smallholdings of members of agricultural cooperatives (LPG's) and agricultural workers as well as allotment holders, settlers and small animal breeders. It must be remembered, though, that the last two groups do not own land; they merely enjoy usufruct rights, a fact that considerably restricts their freedom with regard to the land they use. Moreover, a great deal of animal production relies on fodder which is produced elsewhere.

Still, since the mid-1970's, these spare-time producers have received increasing encouragement from the SED. Using the slogan "only a productive garden is a beautiful garden," the SED exhorted them to increase output and sell their surplus to the state purchase centers (of which there are now around 18,000). Bonuses and tax relief serve as incentives and, in some cases, these producers actually get higher prices than socialist farm enterprises.

The success of this policy of incentives may be observed in the fact that the shrinkage of the area of land worked by private producers has ceased, while the volume of private livestock has visibly expanded. The quantity of fruit, vegetables, eggs and beef cattle delivered has increased dramatically, disregarding own consumption). Private producers account for the following percentages in the state purchase figures: beef cattle, around 15 percent, eggs 40 percent, vegetables 12 percent, fruit 30 percent. Honey, rabbit meat, rabbit pelts and muskrat pelts are almost exclusively produced privately. If we include the comparatively large volume consumed by the producers themselves, we may assume that at least 20 percent of the beef and vegetables produced in the GDR and around 50 percent of fruit and eggs originate from private small-scale producers.

1. Definition of the Scope of Investigations

The collectivization of GDR agriculture, largely completed in 1960, focused Western studies on the analysis of the development of the socialist farm sector, especially because data on "private" and "personal" or "individual" farm production were increasingly eliminated from GDR statistics after 1959.(1) Even in the first half of the 1970's, senior GDR agricultural officials made strenous efforts to transfer the very last residues of anything that might be described as "private" farm production to socialist production conditions (although said private farm production was largely restricted to areas not suitable for large-scale cultivation or types of production requiring much manual labor or unsuitable for mechanization). Nevertheless, some private farm producers have survived in the GDR. Though their total share in the net product of agricultural and forestry (excluding kitchen gardens and allotments) is on the modest side, taken together with private plots and allotments--in particular the members of the Union of Small Gardeners, Settlers and Small Livestock Breeders (VKSK)--, they have a not

negligible role in regard to reasonably steady supplies of fruit, vegetables and some animal products for the general public.

This report defines as "private agrarian producers" all enterprises or individuals not recorded in GDR statistics as socialist agricultural enterprises(2) and devoted full-time or part-time to the production of agricultural or horticultural commodities. This includes the following groups of producers, albeit these differ sharply with regard to their respective ownership rights, social status and state incentives:

-- Private individual farmers and horticulturists,

-- Private plots of LPG members and (since 1977) farm workers,

-- Allotment holders, settlers and small livestock breeders within and without the VKSK,

-- Church owned farms,

-- Other social organizations, enterprises and public facilities which statistics do not record among socialist agriculture.

At the same time, let nobody imagine that these producer groups might develop outside, let alone against the socialist sector. For many years the SED suspected them to be a latent threat to socialist farm production from the aspect of a revival of capitalist attitudes. Generally they are now enmeshed so deeply in dependencies on socialist enterprises (the procurement of fertilizer, breeding stock, fodder, and so on), that even the SED has begun to decide on targeted promotional measures for "individual producers." The performances achieved as the "result of intensive part-time work...outside social production" by these individual producers are now deemed in the GDR also to be "of definitely national significance in terms of volume."(3) The attendance of GDR scientists at the first international symposium on "individual production in the system of socialist agriculture," held in Moscow in 1982 and involving scientists and politicians from all CEMA countries(4) was another indication of the increasing attention devoted to these groups of producers.

2. Differentiation of Private Producers by Ownership Circumstances

2.1. Individual Farmers and Private Horticulturists

The individual farmers and private horticulturists still surviving in 1983 are the last private owners of means of production in the GDR farm sector. The outstanding feature of this group is the identity of owners and usufruct holders, in other words the individual's powers of disposition of the land, machinery, livestock, and so on, owned by him. This allows him to unrestrictedly sell, lease or bequeath his operating assets. These producers are the last relics of a type of farm ownership predominant until 1952. They were able to escape collectivization only by special circumstances (for

example land not suitable for collectivization at higher altitudes in the mountains or in the Spreewald region.

After collectivization, the numbers of self-employed persons in agriculture and forestry dropped from about 568,000 (1952) to 13,157 (1961), those of family members helping them from some 648,000 to 8,287.(5) By 1967, the last year providing separate data of self-employed persons and their family helpers, a further decline to 7,404 and 4,551 respectively was recorded.(6) About a third of all remaining individual farmers at the time were located in Dresden and Karl-Marx-Stadt bezirks.

Assuming that the 1967 ratio between self-employed persons and family helpers has remained the same, it appears likely that there are now no more than 3,800 private farmers and horticulturists in the GDR. A relatively large number of manual and clerical workers is employed in private enterprises--since 1967 they account for more than half the persons occupied in private agriculture (see Table 1). This is probably due mainly to the fact that GDR statistics record the manual and clerical workers employed on Church owned farms together with those working in private enterprises. At the same time it is an indication of the relatively great intensity of farm production in private enterprises (fruit, vegetables, decorative plants, livestock raising). This is confirmed by the fact that the share of private (including Church owned) enterprises in the net product of agriculture and forestry is decidedly greater than the percentage of people employed in this sector.

Another non-quantifiable form of private ownership in the agrarian sector are the barns and livestock still held by individual cooperative farmer members of LPG types I and II. Though this private property described by the GDR as "individual holdings" (in contrast to the "personal and private plots" of LPG III members) is considered the "ownership by simple commodity producers of their means of production,"(7) GDR statistics have always recorded it as "personal property," in other words put it on an equal footing with the personal usufruct rights of LPG type III members. Since 1976, LPG's I and II are no longer recorded in the statistics.(8) LPG's of these types are said now to "essentially correspond to type III."(9) Still, such LPG's apparently persist if we look at letters or inquiries from readers to the NEUE DEUTSCHE BAUERNZEITUNG.(10)

2.2. Church Owned Farms

The estates and enterprises operated by the churches represent a special type of ownership in GDR agriculture. In 1959, GDR statistics stopped listing them separately--analogous with private farms.(11) On the other hand, the performances of these enterprises are recorded together with those of private enterprises--at least in the Statistical Yearbooks of the CEMA Countries (12). Consequently this study is compelled to proceed similarly, if for no other reason than that of statistical appraisal.

Moreover, the fact that, in contrast to FRG practice, church taxes in the GDR are not automatically deducted with income tax but represent a voluntary payment ("donation"), justifies the inclusion of "church owned farm

enterprises" in the private sector. Incidentally, the churches were granted far reaching powers of disposition--at least for the land cultivated by them.

Table 1--Structure and Development of Persons Employed (excluding apprentices) in Private Agriculture and Forestry and Their Share in That Sector's Net Product

(5) Jahr	(1) Berufstätige in der privaten Land- und Forstwirtschaft					(2) Anteil am Nettoprod. d)
	(3) insgesamt		(4) davon:			
	(1000)	(6) v.H. a)	(7) Selbst. Erwerbstätige (1000)	(8) Mithelf. Familienangehörige (1000)	(9) Arbeiter und Angestellte c) (1000)	d. Land- u. Forstwirt. (vH)
1961	38,1	2,8	13,1	8,3	16,7	12,1
1967	25,4	2,1	7,4	4,6	13,4	10,2
1975	16,0	1,8	4,5 b)	2,7 b)	8,7	3,5
1980	13,8	1,6	3,8 b)	2,3 b)	7,6	3,9
1981	13,8	1,6	3,8 b)	2,3 b)	7,7	3,8
1982	14,0	1,6	3,8 b)	2,3 b)	7,9	4,8
1983	.	.	3,7 b)	2,3 b)	.	4,4

Key:

1. Persons employed in private agriculture and forestry
2. Percentage share in net production of agriculture and forestry (d)
3. Total
4. Broken down into
5. Year
6. Percentages (a)
7. Self-employed persons
8. Helping family members
9. Manual and clerical workers (c)

Footnotes: (a) Percentage of all persons employed in agriculture and forestry. (b) Assuming the same ratio between self-employed persons and helping family members. (c) Presumably mainly manual and clerical workers in Church owned farm enterprises. (d) Net product at prevailing prices (excluding net product of kitchen gardens and allotments; presumably also excluding the net product of private plots).

Sources: "Statistisches Jahrbuch der DDR 1983" [1983 GDR Statistical Yearbook], pp 97 and 109, as well as the corresponding tables in earlier yearbooks; "Statistisches Taschenbuch der DDR 1984" [1984 GDR Statistical Handbook], pp 27 and 34.

2.3. Personal Property

In contrast to the private ownership of individual farmers and horticulturists

and the private ownership of LPG I and II members of their "individual holdings," the private plots of LPG III members are basically not private property but represent the respective member's personal usufruct in a strictly defined plot and the opportunity to privately exploit an up to 1977 equally strictly limited livestock. It is therefore obvious that these personal usufructs in specific plots (which were not necessarily the former property of the present user) may be neither sold nor leased nor bequeathed.(13) Though, as per the model statutes for LPG (P) [crop production] and LPG (T) [livestock], issued in 1977, the limits on livestock holdings were lifted and the manual and clerical workers employed by LPG's also allowed to hold private plots (a maximum of 0.25 hectares per person or 0.5 hectares per family),(14) the new LPG law also insists that members joining an LPG must hand over to the LPG for "comprehensive and permanent use" all means of production they own--with the exception of the farmstead proper.(15) This means that, as before, no part of the privately owned means of production may be retained, and that a legally enforceable claim applies only to the private and gratuitous use of a (small) part of the means of production contributed.

On the other hand, the personal usufruct of small gardeners, settlers and small livestock breeders in their allotments does not represent a legally enforceable claim. The vast majority of these small producers is organized in the Union of Small Gardeners, Settlers and Small Livestock Breeders (VKSK), founded in 1959. Membership in the VKSK rose from around 864,000 (1961) to roughly 1,262 million (1983). Membership in the VKSK may be obtained from age 18 on and entitles the member to apply for the use (lease) for consideration of an allotment (usually about 400 square meters).(16) If assigned such an allotment, this also represents a personal usufruct that may be neither sold, leased nor bequeathed.(17) VKSK members are usually persons employed outside agriculture, who are mainly interested in supplying their own families with fruit, vegetables and some animal products (eggs, rabbits, and so on), or pursue the hobby of horticulture and small livestock raising ("meaningful leisure occupation of great social value").

2.4. Other Properties

In view of the fact that the extent and importance of farm production outside the socialist agricultural enterprises can usually be ascertained only as a residual statistical amount (if at all), it seemed to me necessary to classify as "private farm producers" even enterprises which, by their type of ownership should certainly be described as socialist enterprises or facilities but which are not recorded as socialist agricultural enterprises.

To be mentioned first of all are the "other state enterprises and facilities of agriculture"(18) (including, among others, the residues of the former "local farm enterprises" and university estates). In 1977 these were still described as "state owned enterprises in the sphere of responsibility of the kreis council"(19) and cultivating some 30,000 hectares agricultural area.(20) As in other CEMA countries (21), it is also possible that, for the benefit of their own workers, some factories carry on some "agricultural production" (fruit and vegetables) on some unused land close to the factory or keep some livestock (if only for the purpose of utilizing kitchen wastes). Still,

private plots of farm workers are bound to account for the lion's share. In GDR statistics these are not included in the personal private plots of LPG members.

3. Special Price and Tax Features

The "other state owned enterprises and facilities of agriculture" have of course always been put on pretty much the same footing as socialist agricultural enterprises. In other words, disregarding a few exceptions, the same price and tax provisions apply to them as to VEG's [state farms], GPG [horticultural producer cooperatives] and LPG's and their cooperative facilities (KOE's).

Since 1969, Church owned enterprises have been granted the same price and delivery terms for all their farm produce as prevail for socialist enterprises (spot delivery at the farmstead, subsidized prices for means of production).(22) However, they continue to pay the fixed ""agricultural levy" to the state budget--though taxation of socialist agricultural enterprises was converted in 1981 from an "economically warranted levy" to a profit tax.(23)

Disregarding special terms introduced in 1969 for industrialized farms and extended since (until 1981),(24) largely standardized producer prices prevailed for all farm producers until 1984. The only exceptions were the producer price for milk, which continued to be graduated by type of ownership (25) and the producer prices for fruit and vegetables which, from 1978 on, were raised for individual private plots, VKSK members and other part-time producers--sometimes well above the price level allowed the socialist enterprises.(26)

Moreover, a surcharge of 10 percent on top of the producer price has been granted these individual producers since 1982, provided they are prepared to conclude delivery contracts with the wholesale purchase and procurement enterprises for the quantities they produce in excess of their own needs.(28) Since that time they have also been permitted to exceed the state retail sales prices by up to 10 percent if they well their produce at the revived farmers' markets or weekly markets.(29) However, as producer prices for fruit and vegetables are usually higher than retail prices, it is more profitable for these small producers to conclude delivery contracts than to sell their stuff at the weekly markets--especially since the farm price reform which went into effect in 1984.(30)

The most obvious differences arise with regard to taxation, whether among the producers here described as private producers or between them and socialist enterprises. Individual farmers and private horticulturists are assessed in accordance with "income tax rate K" (non-favored incomes).(31) Still, tax allowances up to a maximum of M5,000 per annum(32) have existed since 1971, depending on the proportion of fruit and vegetables in the turnover. From 1978 on these allowances were expanded by additional tax reductions upon the sale of tobacco plant seedlings.(33)

Earnings of cooperative farmers and farm workers, arising from their (part-time) cultivation of private plots are generally exempt from taxes; those of other part-time producers (social security pensioners, industrial workers, and so on) are exempt up to the amount of M7,000 per annum.(34)

Church owned farm enterprises, included since 1973 in the "economic measures in socialist agriculture and the food industry,"(35) paid the fixed "agricultural levy" until 1984--in contrast to state owned and cooperative enterprises. This was calculated as the difference between the purchase and procurement prices in effect until 1969 and the standardized producer prices gradually raised since that time.(36)

4. Land Used for Farming by Private Producers

Even after the official conclusion of collectivization in mid-1960, some 1,241 million ha/ LN [hectares agricultural area] (19.3 percent ot the GDR agricultural area), were not cultivated by socialist agricultural enterprises. Almost 60 percent of these areas (720,368 hectares) were accounted for by "private farms" of members of LPG's types I and II and "personal private plots" of members of LPG's type III. The remaining 42 percent (520,668 hectares) were cultivated by "other users of the land" (individual farmers and private horticulturists, Church owned agricultural enterprises, small gardeners, and so on) or represented unused agricultural areas.(37)

Until 1968, the last year recorded in the statistics, the areas used by LPG members and those cultivated by other users of the land shrank by about 100,000 hectares respectively. The shrinkage of the areas used by LPG members is intimately related to the giving up of "private farming" following the conversion of roughly 5,800 LPGs's types I and II to LPG's type III. This is exemplified by the fact that the areas used by LPG I and II members (mostly pasture land) declined by almost 130,000 hectares in that period, while the areas used by LPG type III increased by almost 30,000 hectares.

The radical shrinkage of the areas used by LPG members in the years through 1976 must be attributed to the waning interest of LPG members in the operation of personal private plots--in addition to the conversion of LPG's I and II to LPG's type III. The opportunity offered since 1977 to workers in the LPG's also to operate private plots,(38) higher prices and not least the permanent scarcity of fruit and vegetables have had the result that around two thirds of all families of members of GDR cooperatives are again cultivating private plots.(39) We may therefore assume that the areas "personally" used by members (and workers) has certainly not declined any further.

Since 1969, the areas cultivated by other users of the land (including LN not used) can be ascertained merely as statistical residuals. They include the areas of private plots and allotments(40), last recorded in 1967 as amounting to some 129,000 hectares, the areas used by "other state owned enterprises and facilities of agriculture" (about 30,000 hectares),(41), the LN held by Church owned agricultural enterprises and assessed at around 10,000 hectares

(including 8,700 ha/LN in the 46 enterprises of the Protestant Church),(42) as well as the areas still cultivated by 3,800 individual farmers and private horticulturists and probably not amounting to more than 40,000 ha/LN.

Table 2--Development and Structure of the Agricultural Area Privately Used in the GDR--1960, 1968, 1976, 1983

Year	Used by LPG Members(1) ha/LN	%(3)	Other Land Users(2) ha/ LN	%(3)	Totals ha/ LN	%(3)
1960	720,368	11.2	520,668	8.1	1,241.036	19.3
1968	582,851	9.2	371,985	5.9	954,836	15.1
1976	239,100(4)	3.8	354,286(5)	5.6	593,386	9.4
1983	(240,000)(6)	(3.8)	343,873(5)	5.5	(583,873)	(9.3)

1) "Private farms" in LPG's I and II as well as "personal private plots" in LPG's III.-- 2) Individual farmers and private horticulturists, Church owned agricultural enterprises, small gardeners, settlers and small livestock breeders as well as agricultural area not in use.-- 3) As a percentage of the GDR LN.-- 4) Value recalculated from percentage rate.-- 5) Including roughly 30,000 ha/LN of "other state owned enterprises in the sphere of responsibility of the kreis council."-- 6) Estimated.

Sources: GDR Statistical Yearbooks (varkious years); 1984 GDR Statistical Handbook and Guenter Hoell, "Die Agrarverhaeltnisse im Sozialismus" [Farming Conditions in Socialism], East Berlin 1980, p 11.

Assuming that the above mentioned area of private plots and allotments also includes the areas cultivated by VKSK members, and that the extent of private plots and allotments has not fundamentally changed since 1967, around 60 percent (about 210,000 hectares) of the 344,000 hectares assigned other users of the land in 1983 would in fact be used. The remaining 40 percent would be LN not used--sometimes described in the GDR as "residual and fragmentary areas." Since the early 1980's, these areas are increasingly subject to checks by the ABI [worker and peasant inspectorate] which is responsible for ensuring that every square meter is cultivated. In 1980 as many as 24,418 hectares(43) and in 1982 some 23,300 hectares uncultivated LN were "spotted."(44) In some cases socialist enterprises were called upon to cultivate them. In other instances such areas (1982: 7,300 hectares; 1983: 10,000 hectares) were assigned to small producers (private plot holders, VKSK members and others) for their personal use.(45)

It is worth noting that, despite the new LPG model statutes issued in 1977 which limit personal private plots to 0.25 hectares per member or 0.50 hectares per family, individually used residual and fragmentary areas--and not only those discovered by ABI checks--are no longer charged to the area of private plots.(46) Lately everyone working in LPG's, GPG's (and VEG's) has

been permitted to contractually exploit residual and fragmentary areas (including road ditches) in addition to his personal private plot--provided his work in the enterprise is not jeopardized thereby, and his LPG and the respective municipal council agree.(47)

However, the "revival" of personal private farming--now even granted "favorable loans" for build-up and extension(48)--has involved some less than pleasant manifestations from the standpoint of the SED. The areas available for or allocated to private plot holders and other small producers were often insufficient for the desired expansion of fruit and vegetable production or livestock keeping. Moreover, the deliveries of fodder concentrate linked with the conclusion of feed contracts, and which anyway satisfied only part of fodder needs, have been cut further since mid-1982.(49) As a result more and more private plot holders have apparently been driven to draw supplies from the "LPG's feed sack."(50) Moreover, small livestock breeders have of late tended increasingly to feed their livestock food intended for human consumption (oat flakes, bread, and so on).(51) Due to the low (subsidized) prices of these essential foods, this is no doubt more "economical" for the small livestock breeder than the purchase of grain or bran. Allegedly "tens of thousands of tons bread and other cereal products are thereby withdrawn from supplies for the general public and represent additional burdens for the state budget in view of the price subsidies granted."(52) The trend to even greater use of human foodstuffs is virtually preprogrammed in view of the fact that grain prices have been raised by about 50 percent (to more than M60 per deciton) in the course of the reform of agricultural prices,(53) and small livestock breeders are to be charged these higher prices--while prices of essential foods remain the same as before.(54) It is quite possible that this trend may extend to dairy products as "cheap protein feed." Despite these disadvantages, it seems necessary to allow "individual producers" more scope and assistance:

"Considering the fact that individual private plots are definitely a constituent part of socialist production conditions in the countryside, it is necessary for socialist farm management to develop such relations with them as will result in the exploitation of all reserves."(55)

As yet GDR enterprises do not go so far as the 1,527 agricultural enterprises in Hungary where, in 1981, almost "3,000 specialists of large agricultural enterprises which integrate small-scale production," handled "secondary farming" (for 1,800 specialists this was a full-time job).(56) Still, some GDR agricultural enterprises are now appointing persons to specially "look after" individual livestock keepers.(57)

Unsatisfactory production growth with regard to some commodities as well as--and particularly--the changed attitude of Soviet agronomists to "individual farming" are likely to have stimulated the SED in the 1980's to adopt a less rigid attitude to small-scale individual production. Against all expectations this is "turning out to be viable even in the conditions prevailing in a developed farm production using some industrialized production methods and socially organized."(59) As late as 1980, one of the "Lehrhefte fuer Politische Oekonomie des Sozialismus" [Manuals for the Political Economics of

Socialism] stated that the "use of land by individuals will decline along with the abolition of fundamental differences between urban and rural conmditions" (one of the main goals of SED agricultural policy).(60) Now, however, it seems that in the GDR "the individual production performances" of private plot holders are even "part of the enterprise plan...mandatory on the LPG," and "the local organs of the state power must take care that the planned safeguarding of small-scale production is guaranteed in their regions."(61)

The small gardeners, settlers and small livestock breeders organized in the VKSK are the second target group of the SED's changed policy toward small producers. In this instance, the SED skillfully manipulated the desire of many GDR citizens for an allotment (with "dacha") for recreation and the provision of their own fruit and vegetables, thereby easing the permanent shortage in the supply of these products.

The number of allotments cultivated by VKSK members had risen from 616,000 in 1974 to 640,000 in 1978. It was originally intended to let it rise by another 70,000 through 1980.(62) However, only just about 14,000 small gardens were added in 1978 and 1979. Noticeably better growth rates were recorded in 1980 and 1981--17,400 and 14,800 gardens respectively. As the result allotments cultivated by VKSK members had increased to 685,000 by spring 1982.(63) The establishment of another 18,528 allotments in 1982(64) indicates that the targets of the current five-year plan (the addition of 75,000 small gardens)(65) is likely to be achieved.

The 50,000 hectares cultivated by VKSK members in 1981 were made up of 30,000 hectares allotments, 10,000 hectares settler gardens and around 10,000 hectares residual and fragmentary areas used by small livestock breeders.(66) The Tenth SED Congress launched the slogan "only a productive garden is a beautiful garden." Allotment holders have since been exhorted to voluntarily obligate themselves to at least produce 100 kg fruit and vegetables over and above their own needs for each 100 square meters of garden.(67) This produce is then to be sold to the state wholesale purchase agencies or directly to factory kitchens.(68) If they obligate themselves to deliver half of the prospective yield to the wholesale purchase agencies, they are allegedly able to obtain bush and tree seedlings free of charge from the wholesale purchase agencies and facilities of the VdgB/BHG [Peasants Mutual Aid Association (Peasants Trade Cooperative)].(69)

The development of the "E 930 garden appliance system" represents a special promotional measure. It was first introduced to the public at the 1983 Agra [agricultural show]. In future small producers will supposedly be able to borrow this set of appliances from the VdgB/BHG or even purchase it.(70) The one-axle device, poswered by a 50 cubic centimeter two-stroke motor made by the Suhl Vehicle and Hunting Rifle Works VEB, was "conceived specially for use in small gardens and residual/fragmentary areas." It is available with 11 different additions (mower cutter bar, plow, rototiller, multipurpose appliance, and so on).(71) An output of 5,000 "garden appliance systems" is planned for 1984 (10 times the output of 1983).(72) However, for (presumably) ideological reasons ("control of means of production"), it is described as a "consumer commodity closing a mechanization gap."(73) In view of the fact that

these systems are to be placed mainly in the revived VdgB/BHG's,(74) the latters' function with regard to individual small producers will resemble that of the MAS (machine rental stations) to new farm settlers after the land reform.

5. Livestock Held by Private Producers

GDR statistics have long ceased to mention livestock held by private farmers and Church owned enterprises.(75) The only figures listed are those of animals kept by LPG members on their private plots (not the livestock kept by farm workers). On the other hand, the CEMA Statistical Yearbook has listed as livestock held "by the public" in the GDR (and in contrast to all other CEMA countries) only the livestock kept on Church owned and private farms, while all other animals kept by individuals (private plot holders, VKSK members, and so on) are classified under socialist enterprises.(76)

The data of the tables following thus originate from two different sets of statistics:

a) The data on the livestock of private and Church owned farms from CEMA Statistical Yearbooks,

b) The figures of livestock held by private plot holders/LPG members are taken from GDR Statistical Yearbooks,

c) The figures of livestock held by VKSK members, private plots of farm workers, GPG members, and so on, described in the tables as "other holders," were calculated from the difference between the total of animals kept by socialist, private and Church owned farm enterprises as well as private plot holders/LPG members and the sum total of all livestock.

In the wake of the "scientific investigation of the causes of the relative stability of small production in socialist production conditions," GDR writers have also come to draw attention to these statistical absurdities.(77) In addition to pointing out the lack of "any standardized definition of the term 'individual small production'," and complaining that a "satisfactory definition of terms seems to be available only in Hungary," they stated the following with regard to GDR statistics:

"The GDR Statistical Yearbook, for example, records only the 'personal livestock kept by cooperative farmers.' Incidentally, the LPG law of 2 July 1982 describes this as 'private plot keeping' and the model statute as well as the model cooperative farm regulations for LPG livestock production of 28 July 1977 as 'personal livestock keeping.' GDR statistical surveys do not take into account any livestock kept by other strata of the general public."(78)

On the other hand, in complete misjudgement of the realities, some GDR agricultural scientists blame the decline of private livestock keeping in the LPG's types I and II for the disappointing economic developments in socialist agriculture--aside from other than economic influences.(79) They allege that

the rise in the use of fixed assets was due to the decline in livestock kept by individuals, because neu and industrialized barns had had to be constructed for this livestock. This is downright wrong, because the SED had emphatically insisted on the conversion of LPG's I and II to LPG's III, while--after this conversion--the livestock usually remained in the same barns which simply stopped being private and became collective barns.

The decline until 1977 in almost all types of livestock held by members of the cooperatives was mainly due to the fact that, upon the conversion of LPG's I and II to LPG's type III, LPG members were compelled to merge their private holdings (including livestock) with the LPG III and were permitted merely to continue cultivating personal private plots. In the period 1971-1975, livestock kept on private holdings of LPG I and II members decreased far more than that kept on the personal private plots in LPG's III. In fact, these latter displayed a certain rising trend.(80)

The numbers of privately held dairy cattle (see Table 4) have declined in all groups studied. To be mentioned as an additional reason for the drop in this category is the lower producer price for milk paid the producers. These prices, moreover, need to be adjusted by the transport costs incurred.(81) As a result, milk production became uneconomic for private cow keepers, in particular because fodder had to be provided almost exclusively by the small private plots.

The rearing or fattening of beef cattle on private plots, on the other hand, was reduced far less (in private and Church owned agricultural enterprises not at all). This is due in part to the fact that little labor is involved in fattening cattle, in part because producer prices here were identical to those paid socialist enterprises. Moreover, state premiums were granted for the achievement of specified final weights. At the same time beef cattle fattening depended much less than dairying on the size of the private plot, because producers had an opportunity of obtaining feed concentrate upon the conclusion of beef cattle fattening contracts.(82) The sudden rise in beef cattle stocks, recorded in 1977 by "other keepers" (see Table 3), is mainly attributable to the fact that, from that year on, workers employed by LPG's were also permitted to keep private plots.(83)

The expanded opportunities and concessions to individual beef cattle keepers (fattening contracts, use of residual/fragmentary areas) in conjunction with the increase in the quantities of feed concentrate and grain made available for individual producers upon conclusion of fattening contracts for beef cattle and pigs (from about 145,000 tons in 1977(84) to some 600,00 tons in 1980(85), resulted in the wide ranging stabilization of beef cattle stocks (and not only those kept by private individuals). This is also demonstrated in the development of breeding sow and meat pig stocks as per Table 4. All private pig keepers recorded a definite increase in breeding sow and meat pig stocks after 1977. By 1981, their share in the respective livestock holdings in the GDR had risen to 4.5 percent for breeding sows and 12.6 percent for meat pigs.

Table 3--Development and Structure of Beef Cattle Stocks Kept on Private Plots, Church Owned and Private Farms and other Private Keepers in the GDR, in Thousands and as Percentages of GDR Stocks

1971 - 1981

(1)	Merkmal	1971	1973	1975	1977	1979	1981
(2)	Kühe:						
(3)	Hauswirtschaften						
	LPG I/II	235,6	104,2	24,9	55,0	34,4	27,1
	LPG III	123,9	102,3	77,2			
(4)	Private und kirchliche Betriebe	15,5	12,6	10,0	8,0	6,0	5,5
(5)	Sonstige Halter	3,9	2,5	3,1	3,6	4,0	3,4
(6)	Zusammen	378,9	221,5	115,2	66,6	44,4	36,0
(7)	In vH des DDR-Bestandes	17,4	16,2	5,3	3,1	2,1	1,7
(8)	Andere Rinder:						
(3)	Hauswirtschaften						
	LPG I/II	203,6	97,4	23,3	149,0	147,9	149,6
	LPG III	151,6	166,3	157,2			
(4)	Private und kirchliche Betriebe	38,8	39,0	38,0	38,0	40,0	42,6
(5)	Sonstige Halter	8,1	7,9	11,0	41,2	45,6	47,8
(6)	Zusammen	402,1	310,6	229,5	228,2	233,5	241,0
(7)	In vH des DDR-Bestandes	12,9	9,4	6,8	6,7	6,7	6,6

Key:

1. Feature
2. Cows
3. Private plots
4. Private and Church owned farms
5. Other keepers
6. Total
7. As percentage of GDR stocks
8. Other cattle

Sources: 1982 GDR Statistical Yearbook, p 191, and corresponding tables in preceding yearbooks.-
1982 Statistical Yearbook for the CEMA Member Countries, pp 204/205, and corresponding tables in preceding yearbooks.

Table 4--Development and Structure of Pig Stocks on Private Plots, Church Owned and Private Farms as well as Other Private Keepers in the GDR, in Thousands and as Percentages of GDR Stocks

1971 - 1981

(1) Merkmal	1971	1973	1975	1977	1979	1981
(2) Zuchtsauen:						
(3) Hauswirtschaften: LPG I/II	60,0	27,7	5,8	22,8	35,2	35,5
LPG III	43,6	40,7	28,7			
(4) Private und kirchliche Betriebe	7,4	6,6	5,0	5,0	9,0	10,8
(5) Sonstige Halter	2,2	1,1	1,6	3,4	3,2	6,9
(6) Zusammen	113,2	76,1	41,0	31,2	47,4	53,2
(7) In vH des DDR-Bestandes	11,1	6,9	3,7	2,7	3,8	4,5
(8) Mastschweine:						
(3) Hauswirtschaften: LPG I/II	529,7	248,3	59,2	710,9	870,2	1006,6
LPG III	772,2	830,5	699,8			
(4) Private und kirchliche Betriebe	384,1	367,2	290,0	272,0	332,0	364,2
(5) Sonstige Halter	76,8	80,2	97,2	107,1	96,0	103,9
(6) Zusammen	1762,8	1526,2	1146,2	1090,0	1298,2	1474,7
(7) In vH des DDR-Bestandes	19,6	15,7	11,0	10,3	11,8	12,6

Key:

1. Feature
2. Breeding sows
3. Private plots
4. Private and Church owned farms
5. Other keepers
6. Total
7. As percentages of GDR stocks
8. Meat pigs

Sources: 1982 GDR Statistical Yearbook, p 191 and corresponding tables in preceding yearbooks. -
1982 Statistical Yearbooks for CEMA Member Countries, pp 204/205 and corresponding tables in preceding yearbooks.

The mechanization of farming and the "disappearance" of private plot keeping in LPG's I and II due to the conversion of these LPG's to LPG's III have made horses largely redundant as draft animals. On the other hand, even in the GDR more horses are kept for recreational purposes--riding and racing. As Table 5 shows, the decline in the horse population, recorded in the first half of the 1970's, occurred exclusively on the private farm plots of LPG's I and II (where the horse was used primarily as a draft animal), while the consistent expansion of stocks on the private plots of LPG's III and private and Church owned farms must be ascribed to the raising of riding and race horses. Consequent upon the fact that the general increase in the numbers of horses in the GDR is due exclusively to the expansion of stocks by the keepers studied here, their share in total stocks rose from about 62 percent in 1971-1977 to almost 70 percent at the beginning of the 1980's.

The decline in stocks of sheep (Table 5) to be noted among private plot holders in LPG's I and II was made up by the definite and steady increase in sheep stocks of other keepers studied here. Overall stocks kept privately have almost doubled in the period under review. As a result their share in GDR sheep stocks rose to roughly 26 percent. This development was most evident in private and Church owned farm enterprises.

Goat keeping declined in the period under review. It had always been more or less the exclusive preserve of keepers outside socialist agricultural enterprises. It seems that goat keeping is to assume greater importance in future--not so as to produce milk or meat for the general public but mainly to provide private livestock keepers with animal protein for pig fattening. Since the cuts imposed in August 1982 on feed concentrate deliveries upon the conclusion of fattening contracts(86), an attempt has been made to suggest goat keeping as a means for private livestock keepers to "so to speak process by way of the goats' stomachs fodder not suitable for pigs" and thereby "close the recurrent protein gap in the supply of fodder for other animal species in private herds."(87) Other incentives for expanding goat keeping are to be provided by the price increase for slaughter goats, decreed in 1984,(88) and the expanded opportunities for small producers to use residual/fragmentary areas.

Poultry stocks kept privately and their percentage of total GDR poultry stocks were on the decline (Table 6). While the drop was relatively steady with regard to laying hens, stocks and percentages of other poultry fluctuated widely in some years (an inexplicable phenomenon). These fluctuations are particularly evident in private and Church owned enterprises (including other keepers). Still, it seems that poultry raising on private plots also began to expand once more in the years following 1977. Overall, some 50 percent of laying hens and about 30 percent of table birds are kept in private chicken houses, a surprisingly large percentage. This indicates that, despite the construction in the early 1970's of huge state owned poultry combines to supply the conurbations, poultry keeping by small producers is vital for supplying the general public with eggs and table poultry.

As Table 7 summarizes, the expansion of breeding sow, sheep, horse and table poultry stocks to be noted in the GDR since 1977 is to be largely attributed

Table 5--Development and Structure of Horse, Sheep and Goat Stocks on Private Plots, Church Owned and Private Farms as well as Other Private Keepers in the GDR, in Thousands and as Percentages of GDR Stocks

1971 - 1981

(1)	Merkmal	1971	1973	1975	1977	1979	1981
(2)	Pferde:						
(3)	Hauswirtschaften						
	LPG I/II	28,1	11,4	2,5	18,1	18,3	24,1
	LPG III	15,1	16,9	18,5			
(4)	Private und kirchliche Betriebe	17,8	17,6	18,0	19,0	20,0	21,6
(5)	Sonstige Halter	4,5	3,7	4,5	4,1	4,9	5,3
(6)	Zusammen	65,5	49,7	43,3	41,2	43,2	51,0
(7)	In vH des DDR-Bestandes	61,9	60,8	61,8	62,7	65,6	67,2
(8)	Schafe:						
(3)	Hauswirtschaften						
	LPG I/II	34,7	15,6	4,8	221,5	249,7	306,0
	LPG III	151,8	179,6	209,1			
(4)	Private und kirchliche Betriebe	92,5	113,7	143,0	160,0	192,0	239,0
(5)	Sonstige Halter	4,9	6,4	10,2	17,2	9,5	13,9
(6)	Zusammen	283,9	315,4	367,1	398,7	451,2	558,9
(7)	In vH des DDR-Bestandes	17,7	18,1	19,5	20,7	22,8	25,8
(9)	Ziegen:						
(3)	Hauswirtschaften						
	LPG I/II	3,7	1,4	0,3	20,0	14,8	14,5
	LPG III	57,8	43,1	30,6			
(4)	Private und kirchliche Betriebe	51,5	32,5	22,0	13,6	10,0	8,3
(5)	Sonstige Halter	-	-	-	-	-	-
(6)	Zusammen	113,0	77,0	52,9	33,6	24,8	22,8
(7)	In vH des DDR-Bestandes	99,8	99,7	99,5	99,4	99,4	99,9

[Key on following page]

Key:

1. Feature
2. Horses
3. Private plots
4. Private and Church owned farms
5. Other keepers
6. Total
7. As percentages of GDR stocks
8. Sheep
9. Goats

Sources: See Tables 3 and 4

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to the increase in stocks held by private producers. Only with regard to beef cattle and laying hen keeping have stocks of socialist enterprises grown faster in absolute and relative terms than those of private keepers. As for pig stocks, it is noteworthy that the ratio of meat pigs to breeding sows expanded from 15.6 : 1 in 1971 to 34.9 : 1 in 1977 but after that narrowed once more to 27.2 : 1 through 1981. These developments demonstrate that small producers respond very quickly to economic incentives and are willing to produce beyond their own needs only if "that pays off." It seems that, due to the premiums and fodder rations linked until 1977 with the conclusion of fattening contracts, small producers were prepared to keep meat pigs but not breeding sows.

Apparently it took the incentives for private breeding sow keeping, based on an unpublished decision by the SED CC of 3 August 1977, to stimulate small producers to breed their own piglets instead of buying them from socialist farms. At least, since 1978 private piglet producers have been able to buy 150 kg grain from the state fodder fund per sow proven to have been covered, and to obtain an additional 30 kg feed concentrate and a M10 premium per piglet produced, provided that this production had been contractually agreed.(90) Since 1 August 1982, though, the fodder rations for covered sows have once again be eliminated without compensation, and fodder rations for produced piglets were cut to 20 kg/head but premiums raised by M5, "to even better develop the reserves available in individual livestock production while reducing the drain on the state fodder fund."(91)

In addition to the livestock species listed earlier, almost 100 percent of all bee populations and rabbits as well as a substantial percentage of fur bearing animal breeding (minks) are kept by private individuals. "Overall economic importance" is even admitted for the special breeding groups for purebred dogs and cats as well as ornamental poultry, exotic birds and canaries, organized in the VKSK. Indeed, their numbers have steadily increased in recent years.(92) Allegedly the value of animals made available for export has climbed from 800,000 valuta marks (1976)(93) to 1.6 million valuta marks (1980)(94). The GDR leaders also depend almost exclusively on small livestock breeders to "carry out the agreement concluded among the CEMA countries, according to which GDR exports are to be raised by 1985 to 300 goats and 1,000 ewes per annum."(95)

However, the operations of the special breeding groups are not always welcomed and categorized as consonant with total societal concerns. At the Fourth Meeting of the VKSK Central Executive on 19 May 1983, its secretary said:

Table 6--Development and Structure of Poultry Stocks on Private Plots, Church Owned and Private Farms as well as Other Private Keepers in the GDR, in Thousands and as Percentages of GDR Stocks

1971 - 1981

(1) Merkmal	1971	1973	1975	1977	1979	1981
(2) Legehennen:						
(3) Hauswirtschaften						
LPG I/II	1 463,7	665,4	175,1	7 736,3	7 944,6	7 533,3
LPG III	7 291,8	7 544,3	7 993,9			
(4) Private und kirchliche Betriebe[1)]	7 127,7	6 198,8	6 057,7	5 824,7	6 189,5	5 445,2
(5) Zusammen	15 883,2	14 408,5	14 226,7	13 561,0	14 134,1	12 978,5
(6) In vH des DDR-Bestandes	63,8	57,1	55,3	51,5	52,7	49,9
(7) Sonstiges Geflügel:						
(3) Hauswirtschaften						
LPG I/II	483,2	244,0	60,0	2 558,2	3 199,2	5 687,7
LPG III	2 576,9	2 651,0	2 945,3			
(4) Private und kirchliche Betriebe[1)]	2 722,8	5 555,3	2 284,5	1 953,6	1 980,6	3 482,1
(5) Zusammen	5 782,9	8 450,3	5 289,8	4 811,8	5 179,8	9 169,8
(6) In vH des DDR-Bestandes	31,4	41,3	24,7	22,0	20,8	32,3

Key:

1. Feature
2. Laying hens
3. Private plots
4. Private and Church owned farms
5. Total
6. As percentages of GDR stocks
7. Other poultry

Footnote: 1) Including "other livestock keepers"

Sources: 1982 GDR Statistical Yearbook, p 191 and the corresponding tables in preceding yearbooks.

Table 7--Changes in Livestock Holdings in Socialist Agricultural Enterprises and Private Holdings by Species in 1977-1981

(1)		(2)		(3)	
	Tierart	Bestandsveränderungen in sozialistischen Landwirtschaftsbetrieben		Bestandsveränderungen in privaten Haltungen	
		(4) ± 1 000 Tiere	(5) 1981 in vH 1977	(4) ± 1 000 Tiere	(5) 1981 in vH 1977
(6)	Kühe	- 5,2	99,8	- 30,6	54,1
(7)	andere Rinder	+ 222,9	107,0	+ 12,8	105,6
(8)	Zuchtsauen	+ 11,7	101,0	+ 22,0	170,5
(9)	Mastschweine	+ 693,4	107,3	+ 384,7	135,3
(10)	Schafe	+ 81,4	105,3	+ 160,2	140,2
(11)	Ziegen	-	-	- 10,8	67,8
(12)	Pferde	+ 0,4	101,6	+ 9,8	123,8
(13)	Legehennen	+ 230,0	101,8	- 582,5	95,7
(14)	sonstiges Geflügel	+ 2 158,4	112,7	+ 4 358,0	190,6

Key:

1. Species
2. Changes in stock held by socialist farms
3. Changes in stock held by private individuals
4. Plus/minus 1,000 head
5. 1978 as a percentage of 1977
6. Cows
7. Other beef cattle
8. Breeding sows
9. Meat pigs
10. Sheep
11. Goats
12. Horses
13. Laying hens
14. Other poultry

Sources: Tables 3-6 and 1982 GDR Statistical Yearbook, p 191

"Party and government offer everyone the opportunity to pursue their interests and inclinations. However, we in the VKSK advocate that these interests and inclinations should always conform to social needs."

He added:

"Nobody is to be deprived of the pleasure of breeding pigeons. But it is not proper that pigeon breeding has expanded by 5,952 coops in recent years, while the numbers of chicken and bantam chicken breeding houses have declined by 2,724."(96)

6. Production and State Yield

6.1 Crops Produced

The last data on crops produced by private farms appeared in the 1958 GDR Statistical Yearbook. Since then statistics are available neither on the production nor the state yield of crops outside socialist agricultural enterprises--with the exception of the state yield of fruit, vegetables and strawberries by the individual producers organized in the VKSK, recorded last for 1974.(97)

Of course, by comparison with the production by socialist enterprises, household consumption of produce accounts for a much greater share--after all, the original intention had been to allow families to supply themselves, at least as far as private plots and allotments were concerned. Consequently, the data sporadically provided in some books about the share of "individual producers" in the state yield do not correspond to the respective shares of production. They merely represent the quantities produced in excess of household consumption and do not even include deliveries by Church owned agricultural enterprises nor, presumably, considerable parts of the deliveries by individual farmers and private horticulturists. The difference between the share in output and the share in state yield for the two most important products (fruit and vegetables) of individual producers is very great. This is demonstrated by the fact that, for 1981, the (estimated?) share of fruit production is cited as 50.7 percent and of vegetable production 28.8 percent,(98) while the corresponding shares in the state yield are said to be 24.8 percent and 10.0 percent respectively.(99)

Such serious differences are hardly to be expected with regard to other crops due to their minor significance in the range of products of private and individual producers. Though allegedly more than 10,000 tons seed potatoes were delivered in 1981 to VKSK members and other small producers,(100) it is to be assumed that their yield almost exclusively served to supply the respective families with potatoes for human and livestock consumption. On the other hand, the potato harvest situation in 1983 seems to have made it necessary in some socialist enterprises "in discussions with cooperative farmers and contractual partners who cultivate tiny plots" to prevail on them "to additionally make available from their private plots potatoes for human consumption for the general supply."(101)

As Table 8 shows, the share in the state yield of fruit produced by private plot holders, VKSK members and other small producers has remained relatively stable despite some occasional and considerable fluctuations. In recent years a slight decline seems indicated, though in absolute terms supplies have increased. This decline is probably due to the creation of large and contiguous fruit cultivation areas in Potsdam and Halle bezirks. Still, the

share held by small producers in the output of berries and fruit with stones (Table 9) predominates at roughly four fifths of state yield, while being relatively minor for apples and strawberries. In toto, the quantities produced by small producers "in excess of household needs" and delivered to the purchase agencies have more than doubled when we compare 1980-1982 with 1971-1973.

The situation is entirely different with regard to vegetable deliveries. For this type of produce, deliveries by small producers have increased far more rapidly than those by socialist agricultural enterprises. As a result the former's share in the state yield (Table 9) have risen from about 4 percent to some 11 percent. The deliveries by small producers also predominantly involve relatively labor intensive early and specialized vegetable varieties (Table 9), while cabbage, onions and tomatoes are mainly cultivated by socialist enterprises.(102)

Let us remember that all these data refer only to the quantities produced over and above household needs, not to the entire output of these producers. If we apply the results of studies of Hungarian private plots and secondary cultivation,(103) the total output is likely to amount to at least double the delivered quantities. Given the different sizes of private plots (ranging from 0.25 hectares to 0.50 hectares) and allotments and small gardens (1,000 square meters and 250-350 square meters respectively), more of the produce harvested by VKSK members will obviously go to their own households than is the case with respect to private plots. It is therefore not surprising that, in Karl-Marx-Stadt Bezirk, for example, only about 10 percent of the VKSK members' vegetable output got to the purchase agencies, while 90 percent were consumed by the respective households.(104) However, the higher producer prices decided upon from 1984 on for "individual producers"--not Church owned agricultural enterprises, individual farmers and private horticulturists--(105) may offer enough incentivies for raising the amounts of fruit and vegetables produced "for the market," especially because prices of fertilizers, herbicides, energy, seeds and low value materials have remained the same.(106) Of course this assumes that the SED will be able to make available to the individual producers more and better quality industrial consumer goods in the retail stores, in exchange for the greater revenues resulting from their "spare time labors."(107)

The small producers' share in fruit and vegetable yields varies a good deal in the various districts. In 1982, small producers accounted for 20 percent of the state yield of vegetables in Cottbus, Magdeburg and Potsdam bezirks, they supplied only 2-6 percent in the three northern districts(108) and 3-9 percent of state yield in the southern districts (1980).(109) As regards fruit, the establishment of large contiguous fruit orchards in Halle and Potsdam bezirks necessarily resulted in relatively smaller shares of small producers in these regions, while small producers sometimes account for more than 50 percent of the yield in less traditional fruit cultivation districts (Gera, Neubrandenburg, Magdeburg).(110)

Overall, fruit and vegetable production by individual small producers--excluding Church owned and private farms--represents a respectable and

Table 8: Development of the State Yield of Private Plots, VKSK Members and Other Small Producers of Fruit and Vegetables in 1971-1982 and Plan 1983 (data provided in tons and percentages)

(3) Jahr	(1) Obst			(2) Gemüse		
	(4) t	(5) vH [1]	1971=100	(4) t	(5) vH [1]	1971=100
1971	66 620	30	100	32 758	3	100
1972	73 249	31	110	51 242	4	156
1973	84 727	35	127	57 888	5	177
1974	54 886	27	82	59 674	5	182
1975	159 448	42	239	74 698	7	228
1976	172 000	43	258	74 200	8	227
1977	82 160	30	123	127 598	9	390
1978	94 150	34	141	107 975	8	330
1979	282 325	39	424	144 709	11	442
1980	162 106	34	243	114 192	10	349
1981	105 619	25	159	140 006	10	427
1982	214 226	29	322	144 002	12	440
Plan 1983	165 000		248	135 000		412

Key:

1. Fruit
2. Vegetables
3. Year
4. Tons
5. Percentages

Footnote: 1) Percentage of total state yield

Sources: Georg Vogel, "Agricultural Scientists Assisted...," GARTENBAU, East Berlin, No 7/1982, pp 193/194;
Above data from "Figures and Facts," TRIBUENE, East Berlin, No 109, 4 June 1982, p 11;
Herbert Uhlendahl, "From the Presidium Report," GARTEN UND KLEINTIERZUCHT," East Berlin, No 3/1983 (supplement), p II;
Above data from "Hobbies in Figures," DEUTSCHE BAUERNZEITUNG, East Berlin, No 17/1977, p 10;
1982 GDR Statistical Yearbook, p 197;
My own computations.

Table 9: Percentage Shares of Small Producers in the State Yield of Selected Fruit and Vegetable Varieties 1980-1982

(1)

	Fruchtart	1980 a)	1982 b)
(2)	Äpfel	24,7	30,0
(3)	Birnen	80,0	80,0
(4)	Pflaumen	82,0	82,0
(5)	Pfirsiche	52,0	52,0
(6)	Johannisbeeren	77,5	77,0
(7)	Stachelbeeren	87,5	87,0
(8)	Erdbeeren	.	19,5
(9)	Süßkirschen	.	50,7
(10)	Obst insgesamt	33,9	.
(11)	Einlegegurken	48,5	50,6
(12)	Salatgurken	.	47,6
(13)	Rhabarber	52,8	63,4
(14)	Kopfsalat	.	43,8
(15)	(frühe) Möhren m. Laub	45,2	45,2 (46,2) c)
(16)	Porree	.	20,5
(17)	Radies	46,3	52,3
(18)	Blumenkohl (früh)	.	17,1
(19)	Schwarzwurzeln	30,0	.
(20)	Gemüsebohnen	.	15,0
(21)	Tomaten	25,0	25,0 (24,2) c)
(22)	Kohlrabi m. Laub	34,0	37,5
(23)	(frühe) Zwiebeln m. Laub	35,0	35,3 (26,9) c)
(24)	Gemüse insgesamt	10,0	12,0
(25)	Gemüse unter Glas u. Plaste	12,1	.

[Key on following page]

Key:

1. Fruit variety
2. Apples
3. Pears
4. Plums
5. Peaches
6. Red currants
7. Gooseberries
8. Strawberries
9. Cherries
10. Total fruit
11. Pickling cucumbers
12. Cucumbers
13. Rhubarb
14. Lettuce
15. Early carrots
16. Leeks
17. Radishes
18. Early cauliflower
19. Comfrey
20. Green beans
21. Tomatoes
22. Kohlrabi
23. Green onions
24. Total vegetables
25. Hothouse vegetables

Sources: a) Rudi Habermann, "VKSK Initiatives for the Domestic Supply of Vegetables in the Region," GARTENBAU, East Berlin, No 4/1983, p 4. - b)Gerhart Briska "Fruit and Vegetable Season Calls for Quick Response," DER HANDEL, East Berlin, No 4/1983, p 5/6. - c) Rudi Habermann, Helmut Eue, Christian Hopf, "VKSK Initiaties...," as before, p 101.

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stabilizing factor in the supply of these products to the general public. This is evident in the fact, for example, that the total planned yield of vegetables failed to be achieved in 1982(111) while, at the same time, small producers exceeded their "competition targets" by 17.4 percent.(112) In other words, without their contribution, plan fulfillment would have been in an even worse state. The situation seems to have been similar in regard to plan fulfillment in the first half 1983.(113) In some instances this was achieved only because small gardeners and private plot holders exceeded their target of 35,000 tons by 26 percent and produced 44,000 tons.(114)

6.2 Animal Products

As Table 10 demonstrates, respectable quantities of eggs, slaughter cattle, milk and wool were produced in 1971-1973 in private barns--in addition to such products as rabbit meat and pelts as well as honey which originate to almost 100 percent from individual animal husbandry. For 1975-1981, CEMA statistics provide residual data only on the output of private and Church owned farms. As post-1973 GDR statistics no longer offered any opportunity for ascertaining either the output or the state yield generated by private plots and other private producers,(115) it is almost impossible for that period to quantify livestock production from private holdings with any degree of accuracy.

Moreover, quantification of the actual performances of private livestock keepers is made even more difficult due to the fact that the pertinent GDR publications uysually fail to indicate whether the quantities cited apply to the output or state yield of all small producers (including private and Church owned farm enterprises) or only to private plots and VKSK members. "Total output,", "total yield" and "production" are often used interchangeably, and

various writers sometimes relate them to the same numerical values.(116) We may take it for granted that animal production by private keepers in the GDR has developed largely in parallel to the prevailing livestock, in other words that it has risen since 1977 in absolute and relative terms.

As a substantial part of this output serves the domestic supplies of eggs and meat for the respective keeper, data on the state yield are estimated as representing only 50-60 percent of actual production--that percentage which is produced over and above household needs (including friends).

Table 10: Percentage Share of Private Keepers(1) in the Output of Animal Products in the GDR

Product	1971	1973	1975	1977	1979	1981
Milk	19.9	13.0	0.7	0.6	0.3	0.4
Eggs	56.3	47.5	21.0	19.4	18.6	11.4
Wool	22.7	22.6	13.4	14.4	15.9	16.1
Slaughter cattle	23.5	18.9	5.9	4.8	5.0	6.5
Pigs	23.4	18.6	4.5	3.0	4.2	6.4
Beef and calves	14.7	11.4	2.7	3.0	3.6	3.5
Poultry	27.7	24.1	19.2	13.4	5.7	5.4

Footnote: 1) 1971 and 1973: Private plots of LPG's I, II and II as well as private and Church owned agricultural enterprises (excluding "other keepers"). - From 1975 on: Only private and Church owned agricultural enterprises.

Source: 1982 Statistical Yearbook of the CEMA Member Countries, Moscow, pp 106-211 and the corresponding tables in preceding yearbooks.

Examples are provided with regard to the production of slaughter pigs and beef cattle by private keepers in 1978 and 1979. According to the PRESSE-INFORMATIONEN, published by the GDR Council of Ministers(117), the yield (including domestic supply) from private holdings of slaughter beef cattle(118) rose from 68,400 tons (1978) to 70,800 tons (1979) and in the case of slaughter pigs from 183,800 tons to 206,600 tons. On another page, the state yield from private plots and private small producers is stated to have been "only" 47,000 tons beef cattle and 98,000 tons pigs (1978) and 49,000 tons beef cattle and 110,000 tons pigs (1979).(119) This means that, at least in these years and for these two products, almost half of the livestock production of private keepers went for their own supply.

Still, according to Herbert Troschka, secretary of the VKSK executive board, as many as 21 percent of households in the GDR keep farm animals(120). This certainly provides an appreciable relief for the state retail trade in animal products. Precisely because not only that counts "which gets to the market," "we may confidently claim that, with their private plots (and about two thirds

Table 11--Animal Products Produced in Excess of Domestic Needs and Sold to Purchase Agencies by VKSK Members, Private Plot Holders and Other Small Producers in 1976-1983

Erzeugnis (1)		1976	1977	1978	1979	1980	1981	1982	1983
Bienenhonig (2)	(t) [tons]	5 169	2 887	2 660	2 932	2 612	3 106	5 719	6 662
Gänsefleisch (3)	(t)	2 800	2 450	1 133	980	1 202	1 523	1 643	.
Kaninchenfleisch (4)	(t)	.	15 509	15 863	14 261	14 005	13 600	13 651	.
Eier (5)	(Mill. Stck.) (10)	.	1 709,5	1 629,7	1 616,3	1 791,5	1 877,6	1 971,9	2 000
Schlachtvieh (6)	(1 000 t)	.	130	156	168	.	.	.	.
Nutriafelle (7)	(Stck.) (11)	.	.	.	.	147 516	144 425	156 099	.
Nerzfelle (8)	(Stck.) (11)	58 000	.	.	.	.	49 816	.	.
Kaninchenfelle (9)	(1 000 Stck.) (12)	9 000	.	.	.	7 200	7 213	7 321	7 500

[Key on following page]

Key:

1. Product
2. Honey
3. Goose meat
4. Rabbit meat
5. Eggs
6. Beef cattle
7. Nutria pelts
8. Mink pelts
9. Rabbit pelts
10. Millions
11. Each
12. Thousands

Sources: "Agricultural Scientists Assist...," GARTENBAU, East Berlin, No 7/1982, p 194. - "Figures and Facts," TRIBUENE, East Berlin, 4 June 1982, p 11. - Herbert Uhlendahl, "From the Presidium Report," GARTEN UND KLEINTIERZUCHT, East Berlin, No 3/1983 (supplement, p II). - "Hobbies in Figures," DEUTSCHE BAUERNZEITUNG, East Berlin, No 17/1977, p 10. - "Figures and Facts," PRESSE-INFORMATIONEN, East Berlin, No 35/1984, pp 5/6.

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of cooperative farmers cultivate them--and the 1.2 million VKSK members accomplish an extremely useful and nationally significant effort."(121)

As far as the scanty data allow, the quantities sold in the GDR by private keepers of various amnimal products are summarized in Table 11. Related to the "state yield" of the respective products, this means that almost 100 percent of honey, rabbit meat and rabbit pelts as well as by far the largest part of nutria pelts are produced by private keepers. In the case of eggs, they account for almost 40 percent, of geese for some 35 percent. The share held by private slaughter cattle keepers in the state yield has risen from 5.9 percent (1977) to 7.4 percent (1979). This percentage has continued to increase since. At the Eighth CC Meeting in May 1984, Kurt Hager stated:

"The peasant trade cooperatives of the VdgB increasingly better organize supplies for the house, the farmyard and the garden as well as services for village residents. This also serves the ongoing encouragement of the nationally important individual production."

And in another paragraph:

"The national significance of individual production is exemplified by its share in the state yield of animal products. In the first quarter (1984), this share amounted to 16.9 percent of slaughter cattle, 22.8 percent of slaughter poultry and rabbits as well as 39 percent of hen's eggs."(122)

Including the producers' own consumption and that of their friends, this means that an estimated 20 percent of slaughter cattle production and at least 45 percent of eggs must be accounted for by private plots, VKSK members, private and Church owned agricultural enterprises and other small producers.

Despite this rising trends we cannot at this time assume that private farm production in the GDR will continue in the coming years to advance at a comparable rate and therefore approach the level prevailing in most other European CEMA countries (Bulgaria, Hungary, Romania). Presumably the GDR just

like the CSSR will still have the most collectivized agriculture among the CEMA countries.

FOOTNOTES

1. The last data on the areas and livestock handled by private and Church owned enterprises appeared in the 1959 GDR Statistical Yearbook. The areas used by private plot holders were last calculable in 1968 (1969 GDR Statistical Yearbook, p 195). The last figures for areas of kitchen gardens and allotments date from 1967 (1968 GDR Statistical Yearbook, p 271). Since 1974, the data on the state yields of private plots and VKSK members are no longer included in the GDR statistical yearbooks.

2. The following are defined as socialist agricultural enterprises: Agricultural and horticultural producer cooperatives (LPG's and GPG's), producer cooperatives by working fishermen (PwF), cooperative facilities (KOE's) of LPG's, GPG's and VEG's for crop and livestock production as well as state farms (VEG's), including miscellaneous enterprises and facilities subordinated to the VVB [association of state enterprises] Animal Breeding, VVB Industrial Animal Production, VVB Seeds and Plants, the institutes of the GDR Academy of Agricultural Sciences (AdL) and the bezirks councils (1982 GDR Statistical Yearbook, p 167).

3. Aenne Muench, Hans Nau. "On the Status, Significance and Organization of Individual Animal Production in Socialist Production Conditions," WIRTSCHAFTSWISSENSCHAFT, East Berlin, No 5/1983, p 671.

4. G. Zhmelew, "Individual Agricultural Production, a Solid Copmponent of Farming in the CEMA Countries," INTERNATIONALE ZEITSCHRIFT DER LANDWIRTSCHAFT, Moscow/East Berlin, No 2/1983, p 194.

5. 1962 GDR Statistical Yearbook, p 173.

6. 1968 GDR Statistical Yearbook, p 262.

7. See Rainer Arlt, "Grundriss des LPG-Rechts" [Outline of the LPG Law], East Berlin 1959, p 465.

8. The 1976 GDR Statistical Yearbook (pp 176/177) was the last to include (for 1975) 306 LPG's types I and II with 94,600 ha/LN and 10,806 members (including 7,145 as permanent working members).

9. "Bauer auf Neue Art" [The New Type Farmer], East Berlin 1983, p 30.

10. "The DBZ to the Rescue," NEUE DEUTSCHE BAUERNZEITUNG (DBZ), East Berlin, No 30/1984, p 13' "Milk Purchase," DBZ, East Berlin, No 7/1984, p 13.

11. 1959 GDR Statistical Yearbook, p 418.

12. See, in particular, 1977 CEMA Statistical Yearbook, Moscow, pp 205/206, (footnote 1).

13. See Rainer Arlt (as note 7), pp 465-470; also collective of authors, "Lexikon - Recht der Landwirtschaft" [Dictionary - Agricultural Law], East Berlin 1975, pp 238-240.

14. "Musterstatut und Musterbetriebsordnung der LPG Pflanzenproduktion bzw. der LPG Tierproduktion" [Model Statute and Model Cooperative Farm Regulations for Crop Production and Animal Production LPG's], East Berlin 1977, p 9.

15. "Law on the Agricultural Producer Cooperatives - LPG Law," GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK (GBl) I 1982, No 25, Article 18.

16. Ernst Pannach, "Kleine Gaerten - Grosser Nutzen" [Small Gardens - Large Benefits], East Berlin 1981, p 16.

17. Ibid, pp 24-28.

18. 1983 GDR Statistical Yearbook, p 177.

19. 1977 GDR Statistical Yearbook, p 171.

20. Ibid.

21. See Heiner Grienitz, "Where Cows Graze Between Pipelines": BAUERN-ECHO (BE), 21 June 1983, p 3.

22. GBl II 1968, No 114.

23. GBl, special issue No 1055.

24. See GBl II 1968, No 91; GBl II 1970, No 103; GBl II 1971, No 68; GBl II 1972, No 55; GBl II 1975, No 37; also Karl Hohmann, "The New Economic Measures in GDR Agriculture Against the Background of the Results to Date of the 1976-1980 Five-Year Plan,: FS-ANALYSEN, No 5/1980, pp 55-87.

25. Ibid.

26. GBl special issue No 950.

27. GBl II 1971, No 59; "Ex-Farm Prices for All?" DBZ, East Berlin No 41/1976, p 13.

28. Arno Rubin, "Small Gardeners May Sell Direct," DBZ, East Berlin, No 23/1982, p 13.

29. Ibid; also "Invitation to Trade," BE, East Berlin,. 21/22 August 1982, p 3 and "Again More Vegetable Markets," DBZ, East Berlin, No 32/1983, p 2.

30. On the farm price reform, see Karl Hohmann, "Farm Price Reform as a Stimulant to Productivity?" FS-ANALYSEN, No 7/1983, pp 51-69.

31. See Maria Haendcke-Hoppe, "Private Business in the GDR," FS-ANALYSEN, No 1/1982, p 38.

32. GBl II 1971, No 2.

33. GBl I 1978m No 5; also "Tax Concessions for Gardeners and Collectors," DBZ, East Berlin, No 13/1978, p 12.

34. GBl II 1972, No 74.

35. See GBl II 1972, No 55; GBl I 1975, No 37 and No 16/1980.

36. GBl II 1968, No 91.

37. 1962 GDR Statistical Yearbook. pp 403-409.

38. "Model Statute...," as before (note 14), p 9.

39. Kurt Krambach et al, "Die Genossenschaftsbauern in den Achziger Jahren" [Cooperative Farmers in the 1980's], East Berlin 1984, p 177.

40. 1968 GDR Statistical Yearbook, p 271.

41. 1977 GDR Statistical Yearbook, p 171 (introductory remarks).

42. EPD LANDESPRESSEDIENST BERLIN, No 121/1977 and NEUE OSNABRUECKER ZEITUNG, 6 March 1982.

43. BAUERN-ECHO, East Berlin, 26 November 1980, p 5.

44. "VKSK with New Initiatives," BE, East Berlin, 27 January 1983, p 1; also Werner Felfe, "Tasks Related to the Further Implementation...,: KOOPERATION, East Berlin, No 3/1983, p 97.

45. Ibid, p 99; also "Individual Animal Production of Great Importance," PRESSE-INFORMATIONEN, East Berlin, No 89/1984.

46. Hajo Wegner, "Minute Areas Considered,: DBZ, East Berlin, No 32/1983, p 13.

47. Ibid; also, "To What Extent May Livestock be Kept Privately," BE, 31 August 1982, LPG Mail Box No 500. - Kurt Hohlwein, "Contract for Use of Road Ditches," DBZ, East Berlin, No 18/1977, p 12.- "Need the Approval of the Local Council be at Hand for Awarding Fragmentary Areas?" BE, 13 September 1983, LPG Mail Box No 528.

48. Otto Honigmann, "Loans to Small Producers," DBZ, East Berlin, No 18/1977, p 12.

49. "Developing More Fodder Reserves for Private Plot Holders," BE, 13 August 1982, p 7.

50. See Werner Hellmuth, "The More He Has...," DBZ, East Berlin, No 22/1983, p 31; Guenter Glowka, "Unscrupulous Fodder Thieves," MAGDEBURGER VOLKSSTIMME, 26 April 1983; "Fodder Thieves," IWE-INFORMATIONEN, No 45/1981, p 3; "Are There Mandatory Regulations on the Extent of Private Livestock Keeping?" BE, 23 August 1983, LPG Mail Box No 526.

51. Herbert Troschka, "The Implementation of the Decisions by the VKSK Union Conference...," GARTEN UND KLEINTIERZUCHT, East Berlin, A edition, No 11/1983, supplement, p VII.

52. Ibid.

53. "Council of Ministers Decision on the Farm Price Reform in the Agriculture of the German Democratic Republic," GBl special issue No 114.

54. Wilhelm Cesarz, "Farm Price Reform...," op. cit.

55. H. Zacharias, "Tasks and Targets for the Implementation of Socialist Farm Management...," TIERZUCHT, East Berlin, No 1/1983, pp 26/27.

56. G. Verga, "New Development Trends of Individual Private and Secondary Farming in Hungary," INTERNATIONALE ZEITSCHRIFT DER LANDWIRTSCHAFT, Moscow/East Berlin, No 3/193, pp 211-215.

57. Ralph Judisch, "Responsible for the Individual Operation," DBZ, East Berlin, No 38/1983, pp 8/9.

58. G.I. Zhmelyov, "Social Farm Production and Individual Secondary Farming," SOWJETWISSENSCHAFT-GESELLSCHAFTSWISSENSCHAFTLICHE BEITRAEGE, East Berlin, No 6/1981, p 840; also bibliographic notes 3 and 5 in Aenne Muench, Hans Nau, "On the Status ..." (see note 3), pp 667-678.

59. Ibid.

60. Guenter Hoell, "Die Agrarverhaeltnisse im Sozialismus" [The Situation of Farming in Socialism], East Berlin 1980, p 12.

61. Aenne Muench, Hans Nau, "Zur Stellung..." (see note 3), pp 673/674.

62. BE, East Berlin, 30 March 1979, p 7.

63. Christa Lier, "Thousands of New Plots," NEUES DEUTSCHLAND (ND), 3 March 1982, p 2; Erwin Wegner, "On the VKSK and its Contribution to Supplies," EINHEIT, East Berlin, No 10/1982, pp 1081-1083.

64. Rudi Habermann, "Initiatives of VKSK Members for Their Own Supply of Fruit and Vegetables in the Region," GARTENBAU, East Berlin, No 4/1983, p 104.

65. Werner Hoppe, Ute Schindler, "Gardens That Bring Rich Yields and Offer Recreation," ND, 5/6 June 1982, p 7.

66. "Worth Knowing," GARTEN UND KLEINTIERZUCHT (A edition), East Berlin, No 14/1982, p 5.

67. "Vegetables from Allotments for Cities and Communities," ND, 27 January 1983, p 2.

68. Rudi Habermann et al," Initiatives of Cooperative Farmers, Members...," GARTENBAU, East Berlin, No 4/1982, p 100; Guenther Kopet, "Fruit and Vegetables...," PRESSE-INFORMATIONEN, East Berlin, No 71/1983, p 5; also "Vitamins from Allotments,: BE, East Berlin, 19 July 1984, p 1.

69. "More Fruit and Vegetables," BE, East Berlin, 19 March 1980, p 7.

70. H. Mielke, "Data on the E 930 Progress Garden Appliance System," LANDTECHNISCHE INFORMATIONEN, Leipzig, No 5/1983, p 87.

71. G. Schmidt et al, "The E 930 Progress Garden Appliance System Closes Mechanization Gaps" and "E 930 Garden Appliance System Was Developed in Socialist Cooperative Work," LANDTECHNISCHE INFORMATIONEN, Leipzig, No 2/1983, pp 14-17.

72. "More Small Appliance Holders,: DBZ, East Berlin, No 31/1984, p 13.

73. G. Schmidt et al, op. cit.

74. "BHG [peasants' trade cooperative] - Lending Service for Appliance Systems," BE, East Berlin, 21 July 1983, p 2; Lothar Kohlmann, "BHG Helps Develop Reserves in the Region," BE, East Berlin, 21 July 1973, p 3.

75. For the last time in 1959 GDR Statistical Yearbook (pp 485/486).

76. See, in particular, 1977 CEMA Statistical Yearbook, Moscow, pp 205/206, (footnote 1).

77. Aenne Muench, Hans Nau, "On the Status...," op. cit. (note 3), pp 667-678.

78. Ibid, p 669.

79. Harry Reimann, Gerald Schmidt, Klaus Schmidt, "Transition of Socialist Agriculture...," WIRTSCHAFTSWISSENSCHAFT, East Berlin, No 9/1983, pp 1281-1300.

80. See 1976 GDR Statistical Yearbook, East Berlin, p 205.

81. See GBl II 1971, No 15; GBl special issues Nos 808 and 1055; also "Ex-Farm Prices for All?" op. cit. , p 13.

82. "More Fattening Contracts for 1978," DBZ, East Berlin, No 50/1977, p 13; Karin Schulze, "Higher End Weights at Fattening Contracts," DBZ, East Berlin, No 17/1976, p 12; the same author, "Fattening Contracts for Beef Cattle and Pigs," DBZ, East Berlin, No 35/1977, p 12; R. Poser, "Fattening Contracts with Satisfactory Incentives," DBZ, East Berlin, No 24/1978, p 13.

83. "Model Statute for Crop Production LPG's" and "Model Statute for Animal Production LPG's," East Berlin 1977, p 9.

84. PRESSE-INFORMATIONEN, East Berlin, No 35/1978, p 3.

85. FELDWIRTSCHAFT, East Berlin, No 4/1981, p 178.

86. "Develop More Fodder Reserves for Private Plot Holders,: BE, 13 August 1982, p 7.

87. Lothar Aermes, "Goats Are Easily Satisfied," BE, 7 January 1983, p 5; the same author, "Milk, Meat and Pelts,: BE,M 16 September 1983, p 8.

88. GBl special issue No 1114.

89. Erwin Wegner, "Successful Result--New and More Challenging Targets," GARTEN UND KLEINTIERZUCHT, East Berlin, A edition, No 11/1982, p 3.

90. "Fodder and Price Premiums for Piglets Offered for Sale by Individual Livestock Keepers," BE, 4 May 1982, LPG mail box No 492; "Premium Also for Own Household Needs?" DBZ, East Berlin, No 45/1978, p 13.

91. "Develop More Fodder Reserves...," (as note 86), p 7.

92. 1982 GDR Statistical Yearbook, p 398.

93. "Hobbies in Figures," DBZ, East Berlin, No 17/1977, p 10.

94. Klaus Ratajczak, "In the Fall, Small Livestock Breeders Are Drawn to Markkleeberg," DBZ, East Berlin, No 28/1981, p 13.

95. Lothar Faeth, "From the Presidium Report," GARTEN UND KLEINTIERZUCHT, East Berlin, A edition, No 11/1983, supplement, p V.

96. Ibid, p IV.

97. 1975 GDR Statistical Yearbook, p 448.

98. Erwin Wegner, "Successful Results...," (note 89), pp 3/4; Georg Vogel, "Agricultural Scientists Assist...," GARTENBAU, East Berlin, No 7/1982, pp 193/194; Werner Hoppe, Ute Schindler, "Gardens, the Rich...," ND, 5/6 June 1982, p 7.

99. Erwin Wegner, "On the VKSK and Its Contribution to Supplies," EINHEIT, East Berlin, No 10/1982, p 1081.

100. Rudi Habermann, Helmut Eue, Christian Hopf, "Initiatives of the...," GARTENBAU, East Berlin, No 4/1982, pp 100-103.

101. "Tracking Down Fodder Reserves,: BE, 27 September 1983, p 1.

102. In 1981, the share of small producers in the state yield of early vegetables amounted to 20 percent (37,000 tons), about double, just as their share in total vegetable yields (see Rudi Habermann, Helmut Eue, Christian Holpf, "Initiatives of the...," op. cit., p 100).

103. G. Varga, "New Development Trends...," op. cit., pp 211-215.

104. Hartmut Greim, "Own High Quality Household Supply," DER HANDEL, East Berlin, No 4/1983, pp 7/8.

105. Wilhelm Cesarz, "Farm Price Reform...," ND, 17 May 1983, p 3.

106. "Price Order No 430 on Producer Prices for Fresh Fruit, Vegetables and Potatoes Payable to Private Producers," GBl I, 1983, No 8.

107. See also Bernd Spindler, "Tasks and Performances of Small Gardeners in the GDR...," ANALYSEN UND BERICHTE, Bonn 1983.

108. Ibid, pp 3/4; also Rudi Habermann, "Initiatives of the Members...," op. cit. , p 104.

109. Rudi Habermann, Helmut Eue, Christian Hopf, "Initiatives of Cooperative Farmers...," op. cit., p 100.

110. Ibid, p 101; also Herbert Krugenberg, Klaus Zippel, "Securing the Villages' Own Supplies of Fruit and Vegetables," ORGANISATION, East Berlin, No 2/1983, p 7.

111. ND, 16/17 January 1983, p 5.

112. Rudi Habermann, "Initiatives...," op. cit., p 104.

113. ND, 16/17 July 1983, p 4.

114. Karl-Heinz Koerner, "Allotments Invite Your Visit," ND, 25 July 1983, p 2

115. The 1974 GDR Statistical Yearbook (p 193) was the last to differentiate the state yield of animal products in yields from cooperative and private livestock keeping. The 1975 GDR Statistical Yearbook (p 448) is the last to record (for 1974) the products delivered to the trade by VKSK members as surplus to their own requirements. Deliveries by private and Church owned agricultural enterprises have not been listed since 1959.

116. See "Slaughter Cattle from Private Barns," DBZ, East Berlin, No 35/1980, p 12; "Meat, Eggs, Honey and Wool from Private Livestock Keeping," PRESSE-INFORMATIONEN, East Berlin No 78/1980; "Agricultural Scientists Assist...," GARTENBAU, East Berlin, No 7/1982, pp 193/194.

117. PRESSE-INFORMATIONEN, East Berlin, No 78/1980; also "Slaughter Cattle from Private Barns," op. cit. , p 12.

118. Including slaughter sheep.

119. H. Nau, "On the Influence of Changing Reproduction Conditions on Animal Production,: MONATSHEFTE FUER VETERINAERMEDIZIN, Jena, No 7/1981, pp 274-277.

120. M. Kirchhof, "Satisfactory Breeding Results," BE, East Berlin, 25 November 1983, p 8.

121. M. Kirchhof, "What is the Role of the Private Production of Farm Produce?" BE, East Berlin, 14 March 1984, p 5.

122. Kurt Hager, "From the Politburo Report to the Eighth SED CC Plenum," ND, 25 May 1984, pp 3-6 (here p 5).

11698
CSO: 2300/367

BRIEFS

MARKET RESEARCH LACK CRITICIZED--According to East Berlin ARBEIT UND ARBEITSRECHT, the development of new products in GDR industry is regulated to only a very slight extent by market research. Only 2.7 percent of all relevant ideas came from the areas of marketing and purchasing, as a study in industrial combines had indicated. In the United States, on the other hand, 31 percent of all usable innovations originated in the marketing and sales departments, the journal stated. Future selection of research and development topics would have to be "much more strongly supported by market analyses." This is shaping up more and more to be an "absolutely critical condition" for economically successful research and development, as well as for the modernization of production. In addition, the journal criticized limiting the innovation procedure to the development of new products and processes and their introduction into production. The journal said that this "unacceptable limitation" could "not persist without negative economic consequences." The primary goal of the innovation process--satisfaction of present or anticipated needs for products with improved practical features--was thus being shoved into the background. The insufficient cooperation of other specialized departments would unavoidably lead to decreased effectiveness which could only be compensated for in isolated instances. [Text] [West Berlin IWE TAGESDIENST in German No 51, 2 Apr 85 p 2]

CSO: 2300/394

HUNGARY

ESTABLISHMENT, FUNCTION OF NEW BANK DESCRIBED

Budapest FIGYELO in Hungarian No 14, 4 Apr 85 p 7

[Article by Dr Laszlo Orban: "Budapest Credit Bank: New Bank Established"]

[Text] The Budapest Institute of the Hungarian National Bank became an independent bank under the name of Budapest Credit Bank. Its predecessor, the Budapest Institute of the Hungarian National Bank--although it operated as a bank-financing department--was actually the account-managing area banking organ of the Budapest Council-supervised enterprises, industrial and commercial cooperatives, public corporations and small enterprises, and a two-to-three level credit-decision mechanism had been established in it. This slowed down decision making and moderated responsibility for the decisions.

Under the name of Budapest Credit Bank the Budapest Institute has become a profit-oriented bank with independent accounting, financing at present more than 600 enterprises of various sizes. It holds deposits in the amount of about 8.5 billion forints, so it can be qualified rather as a middle-sized bank than a small bank. Its capital was granted to it by the Hungarian National Bank--in agreement with the Ministry of Finances. Its manager is appointed by the president of the Hungarian National Bank (for a limited time, see issue 85/13 of the Figyelo). By the right of granting the capital the Hungarian National Bank exercises supervision as owner and issuing bank, while branch supervision is exercised by the Ministry of Finances. Within these limitations the Credit Bank pursues an independent business policy.

The main activity of the new bank is giving credit for investment and working capital, collecting deposits, managing the accounts of its clients, but it may also issue securities and put them into circulation. With its own capital it may participate in enterprises, buy up debts, discount bills of exchange, transact leasing deals, i.e., its domestic licenses comprise almost the complete authority of a commercial bank.

In creating the conditions for independent accounting an important role is played by the services provided within the framework of the service contract by the Hungarian National Bank managing accounts, performing electronic data processing for transactions and doing the bookkeeping for a fee.

The starting conditions of the new bank are favorable. Its stock of deposits, both long-range and payable upon demand, is each a multiple of its basic

capital and provides ample security for active banking transactions, even if present activity multiplied. It is not likely that a demand toward the issuing bank for refinancing would come up at all, except perhaps for rediscounting bills of exchange.

The Credit Bank can increase its own resources by passive banking operations above all through issuing bonds. But there is also a possiblity to accept deposits from other financial institutions. In connection with giving concrete investment loans, joint financing may occur already in the immediate future. Except for this last-mentioned activity--precisely because of the ample liquidity--widening the resources is, for the time being, not among the goals of the bank.

The well-founded liquidity is joined by a favorable-looking planned profitability. Although in the first year the bank may use ony 20 percent of its profits after taxes to increase its own bases, even through this sound participation by the end of the first business year the bank's capital may rise by more than a quarter.

Investment and working credits are extended within the established framework. The decision system, which is becoming single-leveled, speeds up the process of taking a position, facilitates the independent ranking of credit demands, shortens the time for judging the credit requests, and at the same time increases the risk-taking of the Credit Bank.

More than half of the clients are small enterprises, developing very fast. For example, in 1984 the Budapest Institute extended 530 million forints of short-range working-capital credit to 288 small enterprises. Financing small enterprises--especially in the initial phase--entails greater credit risk, and taking this fact into account the bank shapes its business policy which is taking form now. They consider the primary goal to be lending out of the moderate credit resources according to profitability; for this they try above all to shorten the periods for which the credit is given. Since the interest conditions--at least in the first half of the year--are unitary, they wish to give more to their partners as far as speed and courtesy are concerned.

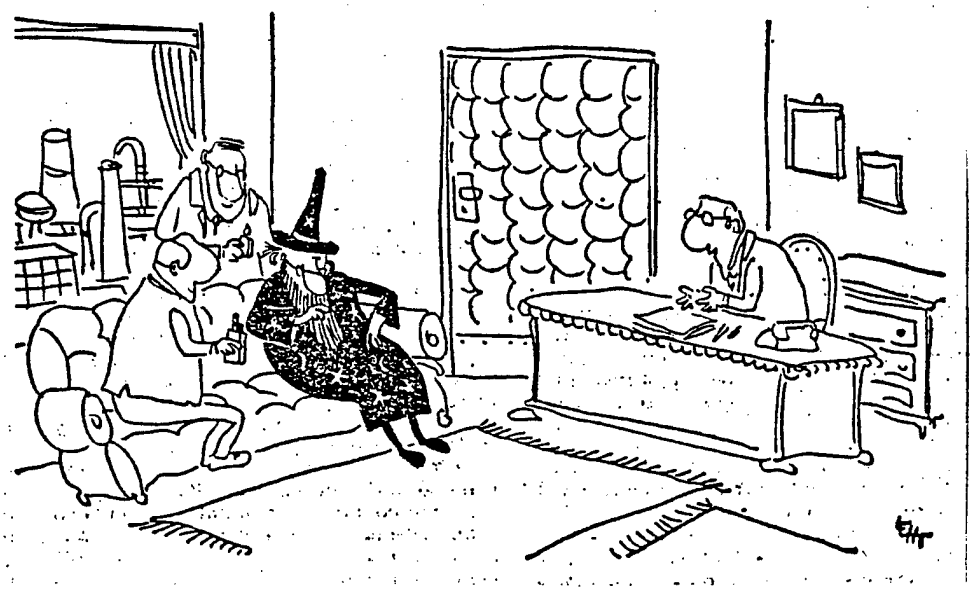
The new activities, services of the bank are developing gradually, since participating in enterprises, issuing bonds, discounting bills of exchange, etc, are branches of business in which the 70-person system of the Credit Bank does not yet have the necessary practice. On the basis of the continual connection established with its partners the bank desires to go meet profitable demands on its own. Considering the fact that the majority of organizations to be financed continues to be made up of the dynamically developing industrial cooperatives and small enterprises, there is no lack in initiative. The style of work in the new bank demands new elements also in the individual interestedness and stimulation of the fellow workers.

Individual interestedness may, of course, not turn into an over-administrated efficiency-wage system. There is no doubt, however, that the contribution to the profits of those who do substantial banking work will in time be measurable

and rewardable since, after all, one can well measure and evaluate the number and interest-bearing of the loans given out, the profits of the enterprise capitals, the results of leasing, the (non)recovery of loans given out at the end of their term, the size and changing of the collected long-term deposits, the intensity and quality of keeping in connection with the economic organs etc. This evaluation must be carried out in every commercial bank.

The Credit Bank interprets the right to choose the bank now taking shape so that it also means the right to choose the client. In other words to unfounded credit demands, to wishes of discreditable enterprises it will say an unambiguous No. For this, however, a new interpretation of creditability, an integration of liquidity into the concept of creditability is needed. The Credit Bank qualifies its clients from the point of view of their creditability.

The independent Credit Bank is suitable for trying out the effect mechanism of the directing and influencing by the issuing bank. This organization differs from the business section of the Hungarian National Bank insofar that, because of its independent accounting of results, its business activity is already profit-oriented. The bulk of the enterprises financed by the Credit Bank is of small size, therefore its credit operations are not determined by the central decisions.



Oh well, so gold does not go...how about the dollar?

12772
CSO: 2500/325

SUBSIDIES SEEN AIDING AFFLUENT, NOT TRULY NEEDY

Budapest MAGYAR IFJUSAG in Hungarian No 10, 8 Mar 85 p 12

[Article by Andras Galambos: "The Subsidy"]

[Excerpt] This year, in 1985 in our country, 7.1 percent of the budget--the state's redistribution of values--is being spent on consumer price assistance, or subsidies.

We are speaking of a huge amount of money, more than 40 billion forints. It is worth mentioning that by comparison, it is true, 10 years ago all of the Bekasmegyeri development, including public utilities, day care centers, schools and stores, cost 5 billion forints.

On what are we spending this amount?

For example, we are spending it so that even the lowest income classes may eat acceptably. Certain foodstuffs reach the stores well below production costs. The cost of milk per liter at present is 7 forints. If there were no state assistance on it, the cost would be nearly doubled, since for instance last year the largest dairy producers--the state farms and farmers' cooperatives--on the average received 10 forints per liter of milk from the dairy industry companies.

And no matter how high the cost of meat seems to be, a significant part of carcass--and other meat preparations as well--are marketed at subsidized prices.

In these instances subsidies include everyone, since anyone can buy milk, for example.

There are also some subsidies that include only a certain segment of the population. The state supports the transportation of retired persons and students more strongly than the transportation of the actively employed.

*

At first glance, then, we can say that the subsidy is a fair thing. But the question remains: "Is it always the most needy person who receives the subsidy in every instance?"

Let us look at another part of subsidies which can only be utilized by those who have received authorization to do so, for example, the tenants of the state--council--rental apartments. At some point, in some manner, they became apartment renters. For a long time the rent was unbelievably low, far from covering, even today, the cost of upkeep.

We could consider the maintenance of such low row rents justified and fair only if the council rental apartments were occupied by the most needy. However, we know that the largest and best maintained apartments are occupied by many people with high incomes, who benefit from assistance unfairly.

In addition, low rents are not conducive to changing apartments. Thus, more than a few single people live in three or four-room "citizen apartments."

Of course, the unfairness of subsidies can be demonstrated in other ways as well. As is well known, assisted day care costs are based on declared income instead of an individual's true financial situation. Naturally, these costs are subsidized. It can happen, and does more than once, that a young couple living in a very expensively subleased place, pays twice as much in assisted costs than a waiter who drives a Japanese car but declares a monthly income of 1,800 forints at the day care center.

Recently, several sociological studies have been published--many of which had been prepared at the request of SZOT--which showed that very often the same individuals attended trade union vacations. Mostly, the names of individuals working in company centers, leaders with sizeable incomes, were repeated. Obviously, in this instance the subsidy, or the possibility of inexpensive vacations is divided among the most influential persons, thereby decreasing the opportunity of those for whom the SZOT resorts were originally established.

*

For a long time it seemed that the budget was made of rubber, that the amount of expenditure could increase without limit. As we have seen, this idea was erroneous. One small but not insignificant result of this error was the development of the thriftless character of the subsidy. When the house factory apartments were being built in our country, the responsible parties developed a system of district heating--called one-pipe heating--which heated every apartment to a uniform temperature. Individual apartments cannot control their own heat.

For a long time the budget absorbed the rising energy costs in the form of subsidies, the cost of district heating hardly changed. Today the residents of apartments with district heating pay hardly half the cost of heating.

*

The national budget carries an ever increasing burden. Expenses increase regularly, for instance through the increase in the number of retired persons,

increase in the cost of medical instruments and an increase in the salaries of state employees. Debt servicing is a tremendous burden as well, that is, the country is currently repaying the loans--not always expediently utilized--which were contracted in the seventies.

The interest on these loans increases as the discounted rates of interest of the main international financial centers increase.

However, the economy's money-generating capacity is not increasing at a comparable rate. This is why we needed to, and must continue today to restrict public consumption and reduce investment expenditures.

It is certain that the budget is seeking to free itself from unnecessary expenses, very simply, in order to have enough of its money, its income, for the most pressing expenses.

This is why we must reevaluate the Hungarian subsidy system. Which of its elements should be absolutely retained, and which may be dispensed with?

I believe that in the future, in our subsidy system, we should give more weight to individual need; social considerations will be the deciding factors. We can observe such tendencies even today.

We may expect, then, that in the future the subsidy will better serve its true purpose, better helping those for whom it was intended, the truly needy.

12932
CSO: 2500/320

BRIEFS

SHARES FOR TSZ MEMBERS--As the result of a decision adopted in January 1983, TSZ members can contribute to the development of cooperatives by purchasing general or special purpose shares. To date the majority of the TSZ's, 1,135, have made this possibility part of their bylaws in some form. Within a period of 2 years, members have bought shares worth 650 million forints. [Budapest NEPSZABADSAG in Hungarian 11 Apr 85 p 9]

CSO: 2500/350

YUGOSLAVIA

UNREALISTIC COST ACCOUNTING DISTORTS 1984 ECONOMIC RESULTS

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 1 Apr 85 pp 12-13

[Article by T. Dumezic: "Accumulation at the Expense of Property"]

[Text] After several years of stagnation of gross income, reduction of income (in real terms) and larger losses, last year the financial results of the economy's business operation were considerably more favorable--gross income increased more than expenditures, which resulted in a faster growth of income, and losses were smaller in real terms in spite of a nominal growth of 13 percent, so that their share in income fell from 4.5 percent, which is what it was in 1983, to 3.1 percent. These are at the same time the main good points of the financial results of the economy according to year-end statements for 1984 presented at a press conference on 26 March by Momcilo Tomic, deputy general director of the Social Accounting Service of Yugoslavia.

The high rate of inflation (both producers prices of industrial products and retail prices rose an average of 57 percent last year) and the growth of the volume of output and services helped to make the nominal growth of gross income, costs and income markedly high. Gross income rose 62 percent, the largest growth being recorded in industry (67 percent) and the crafts and trades and personal services (64 percent). Gross income increased the most in the economy of Montenegro (73 percent) and Macedonia (64 percent), and the smallest increase was in the economy of Bosnia-Hercegovina (59 percent), in the economy of Vojvodina (58 percent) and Serbia proper (60 percent). Whereas in the last several years the growth of expenditures was faster than the growth of income, last year expenditures increased more slowly (by 0.8 index point), which resulted in a faster growth of income, which rose 64 percent. The relatively slower growth of expenditures indicates higher economic efficiency in the economy's business operation. Nevertheless, the question arises to what extent this indicated rise in the economic efficiency of business operation is the consequence of greater utilization of capacity and more economical use of supplies and energy, and to what extent it arises out of an unrealistic system of cost accounting.

Unrealistic accounting occurs primarily concerning depreciation of fixed capital at prescribed minimum rates. Total expenditures were up 61 percent in nominal terms. Under that heading the costs of raw materials and supplies rose 66 percent, energy costs 97 percent, while depreciation at the prescribed

minimum rates was up only 42 percent and totaled 578 billion dinars. It follows that depreciation costs have not been keeping up with the general level of price increases, which means they are indicated in a smaller amount in real terms than they actually amount to.

Changes in Distribution

The influence of the unrealistically low computation of depreciation on the level of income is evident. That is largely why income increased 64 percent. The following figures also show that depreciation is low and that we are dealing with a partial siphoning of expenditures of fixed capital into income: Last year the economy used fixed capital whose purchase value was slightly greater than 14,000 billion dinars, on which depreciation was computed in the amount of 578 billion dinars. This means that the average depreciation rate was 4.13 or that the average life of fixed capital was slightly longer than 24 years.

Total income realized (after deduction of income double-counted through the contribution for work communities within work organizations) amounted to 4,327 billion dinars and was up 66 percent over the previous year. Distributed income grew more slowly--it amounted to 4,442 billion dinars, 64 percent more than in 1983. The slower growth of distributed income is the consequence of a real decrease of losses, which last year amounted to 133 billion dinars. Reduction of the portion of income left to organizations of associated labor in the economy for personal and social service expenditure and for accumulation continued again last year. The portion of income remaining to organizations of associated labor fell to 56 percent, which is by far the lowest share in the last 20 years or so (in 1983 the share of the economy in income was 58.1 percent). The reduced share of the economy in distributed income is not a consequence of larger appropriations for government and social services. Total taxes (paid on corporate income and personal incomes) were up only 13 percent in nominal terms, so that their share in distributed income fell from 2.5 to 1.8 percent. Total contributions (paid on corporate income and personal incomes) rose 56 percent (slower than the growth of income), so that their share in distributed income was smaller (falling from 18.5 to 17.6 percent). It follows that the redistribution of income at the economy's expense took place exclusively through the so-called "other" appropriations from income, which totaled 1,092 billion dinars, and their share in distributed income was 24.6 percent. The growth of other appropriations is a consequence of the growth of interest, which amounted to 819 billion dinars and was up all of 105 percent over 1983. The share of interest in the economy's distributed income was about 19 percent.

The level of income indicated in the year-end statements of the economy is not realistic, so its distribution is not realistic either. This income is high not only because of underestimated depreciation, but also because of the way in which interest is entered in the books; it is entirely charged to income. Under the amended law on determination and distribution of gross income and income, interest on short-term credit is charged to operating costs, which means that they will not be a part of income. And by its nature interest is not a part of the newly created value in our context. There simply is no new

value whatsoever so long as the interest rate is lower than the rate of inflation. If interest were omitted from income, the share of the economy in distributed income would be considerably greater. Of course, even then the amounts indicated would not be realistic, since the budgets of sociopolitical communities receive their resources primarily from the turnover tax, which according to the system of accounting is not a part of either the gross income or the income of the economy.

Breakdown of Distributed Income, in percentage

	1983	1984
Distributed income	100.0	100.0
Other participants in distribution	41.9	44.0
Government	2.5	1.8
Social services	18.5	17.6
Other appropriations	20.9	24.6
Funds for organizations of associated labor	58.1	56.0
Net personal incomes	34.4	31.1
Social services	5.8	5.4
Accumulation and reserves	15.9	18.2
Depreciation over and above the prescribed rates	1.0	1.3

Breakdown of Distributed Net Income, in percentage

	1983	1984
Distributed net income	100.0	100.0
For personal incomes	67.3	64.3
For net personal incomes	49.5	47.0
For taxes and contributions paid on personal incomes	17.8	17.3
For social services	8.4	8.2
For housing construction	4.6	4.5
For other purposes	3.8	3.7
For accumulation and reserves	24.3	27.5
For the business fund	18.7	21.2
For other funds	0.3	0.5
For reserves	5.3	5.8

The economy has also considerably increased its income from interest (by 125 percent), so that it reached a total of 311 billion dinars. It follows that the net interest paid to other sectors (foreign, individuals, noneconomic activities) was 509 billion dinars. This indicates that the average rate of interest is still far below the rate of inflation. Nevertheless, there is considerable differentiation in the financial position of various economic activities and various regions with respect to interest. Resources (on paper) are being siphoned to the credit of activities which have more money or those which can exercise blackmail, as well as into the more advanced regions, where the pattern of sources of working capital is considerably more favorable as a rule.

Three Sources of Accumulation

The economy's diminished share in distributed income brought about relatively slower growth of net income, which increased 56 percent, or 1 index point slower than the overall rate of inflation. Trends from past years have continued in the distribution of net income--appropriations for personal and social service expenditure have been dropping both in real terms and relatively to the benefit of a relative and nominal growth of appropriations for accumulation and reserves. The total size of funds set aside for net personal incomes increased 48 percent, while average personal incomes were up 44 percent (personal incomes suffered a real decline of about 6 percent). The share of net personal incomes in net distributed income dropped from 49.5 percent to 47 percent. The share of appropriations for social services also dropped (from 8.4 to 8.2 percent). That is why there was an increase in the share of funds set aside for accumulation and reserves, which totaled 810 billion dinars. The nominal growth of these resources was 77 percent, and their share in net distributed income rose from 24.3 to 27.5 percent. Where does this large accumulation come from?

We can say that globally there are three principal sources of this kind of growth of accumulation. First, it was achieved at the expense of a further decline of personal incomes of persons employed in the economy. Had personal incomes been held at the real level in 1983, which would have been justified in view of the growth of the physical volume of production and labor productivity achieved, funds for accumulation and reserves would have been more than 100 billion dinars smaller. Second, depreciation was computed at an unrealistically low rate, so that the income and net income as indicated are considerably greater than what they actually were. If depreciation had grown at the level of the average rise of costs, it would have been approximately 100 billion dinars larger than was computed, and income and net income of the economy, and also accumulation, would have been smaller by the same amount. Third, the system of accounting is still unrealistic. The economy lost about 500 billion dinars because of inflation on the basis of the unrevaluated portion of the business fund which is used to cover working capital.

A Further Deterioration of Property

This kind of accounting system is making the economy still more dependent upon bank credit. According to rough calculations they have concluded in the Social Accounting Service of Yugoslavia that the economy lacks 1,000 billion dinars for normal business operation. These resources are being made up from short-term bank credit and mutual credit financing of organizations of associated labor. Thus total credit outstanding as of 31 December of last year totaled 4,907 billion dinars, which is 55 percent more as of the same date in 1983. Short-term credits amount to nearly 1,700 billion dinars, and they have also increased 55 percent.

The growth of credit is a logical consequence of inflation and of devaluation of a portion of the business fund of organizations of associated labor in the economy. The pattern of working capital indeed shows how the need for short-term credits has grown. Total inventories reached a sum of 3,440 billion

dinars (nominal growth 65 percent). The largest growth was recorded by inventories of finished products (84 percent) and inventories of products which the trade sector took over from producers (109 percent), while stocks of merchandise were up 53 percent. This indicates that difficulties in sales were encountered last year and that the trade sector has cast the burden of the credit financing of inventories onto producers.

[Box, p 12]

Losses Reduced in Real Terms

Total losses last year amounted to 133 billion dinars and were 13 percent greater than in 1983. This means that they experienced a considerable decrease in real terms, as indicated by their share in income, which fell from 4.5 percent in 1983 to 3.1 percent in 1984. The reduction of losses in real and relative terms occurred primarily because of changes in price relations. Thus in the electric power industry, where the rise of rates was above-average, losses remained at the same nominal level as in 1983 (they amounted to 20 billion dinars). Loss in the production of petroleum products, which was large in 1983, amounted to less than 500 million dinars (97 percent smaller).

The largest losses were in the production of chemical products (15.5 billion), in the production of processed foods (16 billion), in agriculture (10 billion), in construction (9 billion), in ferrous metallurgy and the metal manufacturing industry (5 million dinars each), and so on.

Compared to 1983 the losses increased the most in Macedonia (50 percent), Croatia (31 percent) and Montenegro (28 percent). Losses were down in Vojvodina, Kosovo and Slovenia.

Losses in the Economy

Republic or Province	Amount, in millions	Index Number	Share of Losses in Income	
			1983	1984
Yugoslavia	132,826	113.4	4.5	3.1
Bosnia-Hercegovina	17,513	119.9	4.3	3.1
Montenegro	4,812	128.3	7.7	5.7
Croatia	47,220	130.7	5.4	4.2
Macedonia	16,369	150.5	7.4	7.3
Slovenia	10,420	79.7	2.9	1.4
Serbia--total	36,493	94.2	4.1	2.3
Serbia proper	23,412	114.1	3.7	2.2
Kosovo	4,093	93.8	9.7	5.3
Vojvodina	8,988	64.8	3.2	1.9

7045
CSO: 2800/286

YUGOSLAVIA

CONTROVERSY OVER EXCESSIVE INDEBTEDNESS CONTINUES

Belgrade NEDELJNE INFORMATIVNE NOVINE in Serbo-Crotian No 1780, 10 Feb 85 pp 12-14

[Article by Scepan Rabrenovic: "Why We Have Become Indebted"]

[Text] Although there has been more whispering than talking aloud about the reasons for our indebtedness to foreign countries-- even though almost everything is known, even the amount of the debts has long been proclaimed to be a state secret-- nevertheless a few have been accused. Is this an alibi for failures in the present economic system?

During Kardelj Days in Skopje last week, Dr Dusan Dragosavac, member of the Presidency of the Central Committee of the LCY, in speaking about the problem of Yugoslavian debts to foreign countries, "cited" the previous Federal Executive Council, whose president was Veselin Djuranovic. Mentioning that at a joint session of the state and party presidencies, which was held on 22 March 1979, it was concluded that development plans be revised considering the international situation which existed at that time, Dr Dragosavac said:

"In Belgrade, on 23 June 1979 in the Federal Executive Council, rights to a level of indebtedness of $8,427,000,000 were apportioned."

When Dr Dragosavac's statements are given a close reading, and when they are "translated" to everyday speech, it then appears that the previous federal government had consciously disregarded positions taken by the state and party presidencies, and that it had arbitrarily done something for which it had no right.

This is not the first time that the previous federal government has been "cited" when the problem of Yugoslav indebtedness to foreign countries has been in question. One gets the impression that this "citing" is typical in the functioning of everyday politics. True, it has been somewhat inarticulate, recognizable only to those who are well acquainted with the problem, without mentioning specific people. Those who carefully follow this situation have recalled that "citing" becomes more frequent when discussions on the capability of the existing economic and political system have also become more frequent.

When one is aware to what extent foreign debts contribute to the existing crisis it is understandable that curiosity is provoked whenever culprits for such a large debt are mentioned. A certain amount of guessing is also provoked, not only concerning possible culprits, but also the extent of the debt itself.

Errors in the Planning System

In fact, there are no secrets when it comes to foreign indebtedness. Everything about them is known-- how much they are, when and how they originated, who has become indebted and with what right. If one nevertheless suspects that some secret exists, then it is because the debts themselves were unknown values, or that they were declared a state secret. There has been one secret-- how the money has been spent.

The basic question is: How could it have happened that the country's foreign debt grew from $5.7 billion in 1975 to $19.2 billion in 1981? Or, what caused the foreign indebtedness to increase by $13.5 billion in only 6 years? And where has all that money gone? (Yugoslavia's debts to foreign creditors, including both principal and interest, were greater in this year alone than, for example, the amount of the total debt in 1975.)

No matter where one looks in trying to find a solution for such large debts, one always ends up at the five-year plan of the country for the period 1976-1980. This was the first postwar five-year plan of the country which was created in the spirit of the new planning system. The new system is composed in the following way: the plan of a work organization is the sum of plans of basic organizations of associated labor, the plan of a republic or province is the sum of plans of opstinas, and the plan of the Federation is, in fact, the sum of the plans of republics and provinces. (A new system of planning was proposed just a few days ago, but it has met with resistance. Republics and provinces want to continue to maintain the right to come to the federation with their plans and to coordinate them there.)

The plan for the 1976-1980 period at the national level was created so that republics and provinces estimated what they needed, and put it to the account of the Federation. And as the Federation did not already have "its own" money at that time, it was agreed to supply the deficit of funds from abroad through credits. Since the deficit amounted to $11.5 billion at the exchange rate in effect at that time ($1.00 = 18.31 dinars), it was decided-- at a joint session of state and party presidencies held midway through 1976 and presided over by Dr Vladimir Bakaric-- to put the country into debt by this amount. It was left to the Federal Executive Council only to distribute these funds on the basis of agreements involving republics and provinces.

Statement of the Five-Year Plan

It was no secret that there were not enough funds available in the county to be able to "cover" planned development. Because, for example, at that time republics and provinces had agreed that during the 1976-1980 period the social product of the nonproduction sector of the economy would increase at a 7 percent rate, the industrial product at an 8 percent rate, and the agricultural product at a rate of 4 percent, that the personal standard of living would increase at a rate of 6 percent and the social standard of living by a rate of 7 percent, that investments in the production sector of the economy would increase by 8.5 percent and in the nonproduction sector by 7.5 percent, that employment would grow at a rate of 3.5 percent.

In addition to these growth rates, important changes also had to be made in the economic structure during the 1976-1980 period. Speaking at the Federal Assembly on 20 July 1976 at the announcement of this five-year plan, the late Dzemal Bijedic, former president of the Federal Executive Council, said, among other things:

"The structure of our economy has become a basic cause of instability because rapid development of the manufacturing industry has not been accompanied by a concomitant development of its raw material base, nor by development of an economic infrastructure in the broadest sense of the word. Also, numerous discordances have appeared within basic divisions."

Because of this, it was decided, for example, to increase by almost double the production of electricity during this period, to increase considerably the production of coal, to increase the production of basic metals and alkaloids, and to increase capacities for refining oil from 11.9 to 18.5 million tons. It was also decided at that time to place 64 percent of all industrial investments into the production of electricity, basic metals, and alkaloids in order to reduce structural discord, and it was decided to increase agricultural investments.

As areas of "special interest" have always been under the "patronage" of the state-- especially at that time when price policy was being decided-- enterprises from these economic areas have not been able to provide their own funds for development, but these funds have been supplied from abroad.

There is another problem which ultimately arises out of all this-- it has subsequently turned out that quite a few of these state investments have been unsuccessful (recipients of investments have most often been republics and provinces). This period was a time when many refineries were built (oil-refining capacity increased to approximately 30 million tons instead of to 18.5 million tons, so that refineries now operate at about half of capacity), when an oil pipeline was built through which oil trickled rather than flowed for many years, when resolutions were passed concerning the construction of projects like the one in Obrovac, the Feni project, the one in Kavadarci, DINA in Krk, and other projects which were great failures.

The number of genuine failures actually created during this period is still not known because all real economic analyses which would indicate the success (or lack of it) of a given project have still not been performed. This is, in fact, a statement of state planning and of state investment policy. That is why one occasionally hears all those unconvincing charges that group-ownership relationships are to blame for failures. In fact, it is a matter of state investments, and this means it is a state-ownership phenomenon.

In addition to the above problems, the country's economic structure was not changed during the 1976-1980 period, even though this was a major task of the mid-term plan. Manufacturing capacities developed faster during this period than the economic areas which had been proclaimed to be of "special interest." That is why the Yugoslav economy was dependent upon imports to such a large extent-- two-thirds of total imports were for the import of raw materials, energy, and semi-finished materials.

This was also a time when investments totaled 40 percent of the social product. All of this could not have been done without incurring debts and without having inflation.

Federation by Agreement

When resolutions were passed in 1976 to allow the country to borrow $11.5 billion, it was decided that $7.2 billion would go for the import of equipment, $2.7 billion would consist of financial credits, and $1.6 billion would go for reproduction. It was also decided that a social agreement involving the republics and provinces be composed which would deal not only with distributing these funds, but also with establishing the amount of credits to be used in a given year.

However, the republics and provinces were not able to come to an agreement on these matters for three whole years. Agreement was attained only midway through 1979, at which time they also resolved how to distribute the "shortage of funds," or how to distribute the funds "obtained" from abroad.

Not only did the state and party presidencies warn in 1979 that the plans should be revised, that international circumstances had changed, but the three federal social councils also warned of this at a meeting which was held on 13 June of the same year. Not only did this meeting repeat what had been said at the meeting of the two presidencies, but for the first time it was mentioned that all of our economic problems had originated from within the country, that the foreign exchange system-- as was obvious even then-- was leading to autarchy and had to be changed. The vice-president of the Macedonian Executive Council at that time, Vasil Tudzarov, said at this meeting: "The break-up of the unified Yugoslav market objectively creates an economic basis for nationalism."

At that time, and even later, this maxim was in circulation: "With the exception of foreign affairs and national defense, the Federation is only what we agree upon."

In practical terms, this means that the economic policy of the country is only what the republics and provinces agree upon. It is left to the Federal Executive Council only to implement what has been agreed upon.

At a meeting of the federal social councils held in Brioni at the end of the same year, the question was once more raised on the validity of the foreign exchange system and concerning foreign debts, but all those who proposed changes were designated as etatists at that time, although just recently there has been quite valid evidence on where the foreign exchange system is taking us.

Thus, when the five-year plan for the period 1976-1980 was adopted and when the resolution was passed to borrow $11.5 billion, a resolution was also passed to set the total balance of payments deficit for this period at $4.7 billion; however, at the end of this period the payments deficit totaled $8.6 billion.

A "breach" of this size came about because virtually no republic or province respected the annual resolutions about foreign exchange policy. Thus, for example, for 1979 it was agreed that the balance of payments deficit would total $1 billion. This resolution was altered in October at the request of republics and provinces, and it was decided that the payments deficit would total $2.5 billion for the year, because the republics and provinces in the meantime had not observed the agreed-upon limits. Nevertheless, the payments deficit at the end of the year was considerably greater-- it came to $3.7 billion, and the level of $2.5 billion was "breached" by Croatia by $934 million, Vojvodina by $115 million, Macedonia by $83 million, and Serbia by $44 million.

The Search for an Alibi

The difference between the projected payments deficit and the one actually attained was covered by the country's foreign exchange reserves which were substantially reduced during those years, and, since they were not enough to cover the difference, foreign credits were assumed. This explains why short-term credits grew from $900 million in 1979 to over $2 billion in 1980.

During this time, the foreign exchange system was based predominantly upon the payment and balance positions of republics and provinces, and these were, in fact, the payment and foreign exchange balances. During this time, foreign exchange was recorded by national, or by republic and province membership. This was a marvelous basis for many acts of malversation and preemption, as well as for the establishment of national economies. This system, as well as a foreign exchange system with only minor changes which have not changed its essence, has continued to be "in control."

When one knows all of this, then "citing" the previous federal government as the main culprit for the creation of indebtedness is something like trying to find an alibi for the existing economic system. It is like saying: "The system is okay, but, look, some people did not put it into effect, or manage it as it should have been." The economic system, including the foreign exchange system which is a part of it, has been managed precisely the way prescribed in the many systemic laws. Practical application has not been a distortion of what is written in these laws, but has precisely ascertained all that has been written in them. After all, if it were not so the Long-Range Program of Economic Stabilization would not have insisted on changes in all systemic laws as a prerequisite for a way out of the crisis.

This does not mean, of course, that the former federal government was without fault. If nothing else, it did not-- at least not publicly-- oppose resolutions which originated from the economic system. Only with the creation of the Long-Rang Program of Economic Stabilization was it demonstrated that this economic system has burdened the country with a crisis which was not only the consequence of foreign debts, but of general economic voluntarism.

That is why it would be beneficial if we could begin to talk publicly about what is already known, but about which we don't know enough, and not to identify those recieving the guilt for the present situation only in public statements. After all, there should also be documentation for every decision.

9548
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EFFECT OF HIGHER INTEREST RATES DISCUSSED

Zagreb DANAS in Serbo-Croatian 26 Mar 85 pp 11-12

[Article by Ivo Jakovljevic: "Interest Climbing to the Sky"]

[Text] Decisions were made last week on the seventh floor of the popular building "Beogradjanka" in our capital; those decisions have a long tale which for a long time will have a bearing not only on a change in financial tactics in the economy but also the strategies measured most vividly in terms of personal savings. Those decisions, for which the die was actually cast a bit earlier and somewhere else (at the beginning of the year in the Resolution on Economic Policy and then in the Memorandum on talks with the IMF mission, all of that in the context of the stabilization policy), will probably continue to be a subject of numerous debates, tests of strength and ideologizing, and indeed even--we should not harbor illusions--of individual (how many?) financial speculations.

What did our bankers decide? In a very practical debate, sometimes unanimously, sometimes by a large majority of votes, decisions were made, then, to introduce many new things into the agreement on interest rate policy. First of all, even from 1 May Yugoslavia will at least officially have a so-called positive rate of interest, in this case and in accounting 1 percent higher than the rate of inflation, and that on 90-day deposits of both the economy and individuals. It is still not precisely known how high that interest rate will be, but it can still be predicted with considerable likelihood. That is, on the basis of the data which the Federal Bureau of Statistics will furnish to the Association of Yugoslav Banks, using a methodology agreed on with the IMF mission, in the first days of May we will know exactly how high the interest rate will be on 90-day deposits. It will be computed as the average of the actual inflation of producer prices in February, March and April and their anticipated rise in May and June, to which 1 percentage point of the positive real rate of interest will be added.

The ABC's of Oblivion

Other interest rates, on 1-year time deposits, for example, will be computed at a rate 2 percent higher than the one on 90-day deposits, while time deposits for 2 years or longer will have a 3-percent higher interest than that "main" 90-day rate. Interest rates on all time deposits will still accrue

once a year, except on 90-day deposits, on which the discount rate will be computed if they are rolled over in the same year, so there will not be cases--"forgetful" of the ABC's of banking--of owners of 90-day deposits using a strategy to obtain an overall annual rate of interest as much as 5 or 6 percent higher than the one applied to 1-year or 2-year deposits! That has actually occurred in the meantime in certain banks.

Leading bankers in the Association of Yugoslav Banks, however, have been bothered most by the future conditions for concluding contracts on 90-day time deposits of individuals, in which quite a bit of interest has been shown up to now and which--again probably because of that forgetfulness of banking ABC's--have also become a large burden for our banks. The bankers themselves complain that quarterly accrual of interest also signifies a large new burden on operation of tellers' windows and a pile of work which mainly causes additional costs. At the same time those resources in the 90-day time deposits of individuals have the same importance to the business policy of the banks as sight deposits, but at present they have an interest rate that is all of 46.5 percent higher (in absolute terms)! The banks, of course, have to cover that interest out of their current business operation, and there are few today whose investments are that profitable and also have adequate liquidity and stability in their business operation. For all those reasons the executive committee decided on 1 May to adopt a new rule whereby individuals may make a 90-day time deposit only if they deposit at least 100,000 dinars. Up to now that minimum has been only a fifth as much! (In the United States, though a comparison with our interest rate policy is not the most gratifying, the minimum is $250.)

These past days we have had an opportunity to hear a practical response to the question: Are the banks required to accept those debatable 90-day deposits? It runs like this: Nowhere in the agreement on interest rate policy does the word "must" occur, but--if they do so--then they must respect the rules in the agreement with respect to the terms and conditions of time deposits. Of course, the bankers are still not so naive as to give up that stimulative form of savings at this point, whatever the trouble and confusion it causes them. An open question remains: What will actually be achieved by introducing the minimum of 100,000 dinars (when there is no minimum on time deposits for 1 year, 2 years or longer, as a practical matter it is even possible to place just 1 dinar in a time deposit!)? There has been a rough analysis (with many approximations) to the effect that only 4 percent of Yugoslav savings depositors possess exactly half of the total balances of all such deposits in our banks! That cake, the part of it that consists of time deposits for 1 year and 2 years, is indeed "filled" with the largest individual deposits. That is, even now 90-day time deposits do not in their total amount signify much for the savings potential of our banks, but they are probably the most numerous time deposits. Many of them do not exceed at this point the minimum of 20,000 dinars, and most common among them are the deposits of pensioners and the poorer-off strata of the population and the workers. As of 1 May many of them will have to be converted to longer time deposits if that works out for them, or--as one banker sarcastically put it--they will have to pool their deposits (up to the amount of 100,000 dinars); all those changes will therefore be best suited to those who have the largest deposits. But in practice even

the most recent agreement on interest rate policy will most probably open up once again the scissors to the advantage of foreign exchange savings and to the disadvantage of dinar deposits, which have only just recovered to some extent from many years of erosion by inflation. Why?

Dinars and Foreign Exchange

When actual inflation is somewhere around 70 percent, and the rate of slide of the dinar on the basis of the market basket of convertible currencies is about 60 percent (in the first 3 months), the interest rate on time deposits of individuals at a level of 57 or 58 percent actually does not yet give sufficient protection to dinar deposits against inflation. At the same time once again the interest rates will not apply on foreign exchange accounts (however much ... [apparent omission] ... for their owners, with the exception of those employed abroad temporarily). Even on 1-year time deposits, for example, they will remain at 9 percent. A simple computation shows that we can expect our savings depositors to continue to be highly interested in turning their dinars into foreign exchange rather than placing their dinars in time deposits for 90 days or 1 year or 2 years. To be sure, in the interval practically all advantages which owners of foreign exchange had by comparison with those who have dinars have been abolished, but the interest in placing the buying power of money in time deposits will in coming months have a decisive impact on changes in the pattern of saving in Yugoslavia. Incidentally, of the approximately 2,000 billion dinars which Yugoslavs have in savings accounts at the moment, dinar deposits take up only a third of that pie, the rest (the lion's share) consists of foreign currencies! And, it is worth recalling, in most of our banks resources in the accounts of individuals make up between 15 and 60 percent of their total potential.

If we turn back the entire film of events with our interest rates 14 years, we can recall that since December 1971 right up until the beginning of March 1982--all of 11 years--they stayed the same! Since that time, since that fateful March 1982 and up until 1 April of this year, that is, in just 3 years, interest rates in Yugoslavia--if our memory serves us--have moved upwards seven times, and in the interval they have also increased sevenfold!! As matters now stand, it would seem that we have not yet come to the end of that interest rate trajectory "to the sky." Since the first day of April of this year, that is, according to the content of last year's Letter of Intention, which was worked out in talks with the IMF, Yugoslavia must again raise interest rates on 90-day deposits from the present 54 percent to 58 percent, and as a consequence interest rates on 1-year deposits would be 63 percent and those on 2-year time deposits exactly 66 percent. Interest rates on the deposits of and credits extended to the economy have traveled a similar road over the last 14 years. Back in 1976 our plans and official documents concerning the conduct of interest rate policy said (even though now it sounds almost funny, as the other extreme of the same drama) that "the appropriate interest rate policy would furnish only resources to cover the costs of the work communities of the banks and its mandatory funds" or that interest rates in Yugoslavia "do not have the function of a regulator of the supply and demand of money," although even then those same documents stated that "that is not easy to achieve because of the great demand for money"!

What Sort of Anti-Inflation Program

The change of direction in the conduct of interest rate policy in the context of ever higher inflation occurred only in 1982 with the anti-inflation program, which had just been completed and which envisaged a number of measures, some of which have been carried out, some of which have not, and those which have been pushed the least are those that would have operated toward greater respect for economic laws, strengthened independence of economic organizations, their linkage to one another on an economic basis or extinction, if they are only incurring losses. That is how it happened in the meantime, instead of inflation mainly dropping in the direction of a real rate of interest, interest rates have actually been moving in what perhaps is already a hopeless race with galloping inflation, furnishing it in turn some vital shocks of their own. It is a fact without precedence in economic practice that in just 2 years our interest rates have increased sevenfold with certain exceptions, and yet at the same time they have not influenced at all or almost at all any change in the economic structure, the closing down of some production operations and the opening of new ones, greater migration of employed labor within complex organizations or between them. Everything, it seems, has stayed the same, except that inflation has doubled in 2 years, and the dinar has lost its value beyond what anyone intended. Has all of that been only the inevitable price paid for a badly constructed economic system and a badly conducted economic policy and development policy, or all of that together--is almost a matter of unimportance at this point. Both inflation and the dizzying rise of interest rates, while the dinar and the standard of living have been falling, are only different indicators of the same thing: the Yugoslav economic system is creaking and even in the shape it is at the moment it is yielding much less than is possible.

As matters now stand, because of the somewhat altered methodology, we can actually anticipate a slight drop of interest rates as of the beginning of May, when the new interbank agreement takes effect. Some calculations show that beginning in May interest rates might be 57 percent on 90-day deposits (and also on the corresponding loans), 59 percent on 1-year deposits and 60 percent on 2-year time deposits. The next round for reassessing those rates will be 1 July, and then 1 October and thus it goes on quarterly until a new agreement of the banks at this time next year. The assessment of the federal government is that the wave of inflation which rose up in January and February will be lower and lower in the future, and the total rise of prices this year ought not to be higher than 50 percent. In that case somewhere around 1 October interest rates on 90-day deposits ought not to be higher than 51-52 percent. We will be able to confidently say whether this is feasible or only a desirable construct only when the federal government enacts the rest of the measures contained in the anti-inflation program which is soon (supposedly) to be updated.

How Interest Rates Have Kept up With Inflation, in percentage

Interest rates on 1-year time deposits

Year
On dinars, on foreign exchange

Rate of inflation

Slide of the rate of exchange of the dinar

1971	9	9	15	15
...	.	.	.	.
1981	9	9	40	27
1982				
Beginning 1 March	11	9	31	42.6
Beginning 1 October	13	11		
1983				
Beginning 12 October	24	9	39	87
1984				
Beginning 1 May	35			
Beginning 1 July	39	9	56	50
Beginning 1 October	46			
1985				
Beginning 1 January	59			
Beginning 1 April	63	9	70(?)	60*
Beginning 1 May	59(?)			

* The rate of the slide of the rate of exchange in the first quarter.

7045
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YUGOSLAVIA

MONEY IN SAVINGS ACCOUNTS AT BEGINNING OF 1985

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 18 Feb 85 p 28

[Text] The complete annual data calculated on the basis of the original SDK [Public Accounting Service] data show that there has been a considerable increase in the amount of money in all public user accounts, and the growth has been faster than the increase in the inflation rate. As of 31 December there were 1380 billion dinars in all accounts, 519 billion or 60.3 percent more than 1 year earlier. There was faster growth in the most liquid clearing accounts, by 74 percent or 372 billion dinars (the total in this case was 874.4 billion), while growth was slower in special accounts, by 41.2 percent or 147.5 billion (the total in this case being 505.6 billion). These developments caused the share of clearing accounts in the total fund structure to increase (by 5 percentage points) to 63.3 percent and the special account share to drop to 36.6 percent.

The amount of money in special accounts increased everywhere. The fastest growth was that of reserve accounts, by 50.2 percent or 85.1 billion (the total being 254.6 billion dinars), and by 40.4 percent or 12.9 billion in temporary accounts (the total was 44.8 billion). There was a more moderate increase in the money in investment accounts, by 30.6 percent or 34.1 billion (there was a total of 145.4 billion) and in collective consumption accounts, by 30.3 percent or 13.7 billion (for a total of 58.9 billion).

Examination of clearing accounts alone shows that the volume of money increased both in banks and in industrial basic associated labor organizations (OUR). The pace was much faster in the case of banks, 174 percent or 137.2 billion (the total in this case was 216 billion), and 59.5 percent for industrial OUR (the total was 283.2 billion).

In other clearing accounts representing significant volumes, money increased at a faster pace in collective consumption funds, funds for underdeveloped areas, and the like, by 99 percent or 18.4 billion (the total being 37 billion), they being followed by the labor collectives of public fund users and special-interest collectives, 62.2 percent or 55 billion dinars (there was a total of 143.4 billion). There was a more moderate increase in money in the public activity OUR, by 32 percent or 14.3 billion (for a total of 58.5 billion), and in government (sociopolitical collective, DPZ) budgets, by 27 percent or 11.1 billion (for a total of 52.1 billion).

Examination of the situation in the individual republics and provinces also shows that the amount of money in clearing accounts increased everywhere during the year. It increased at the fastest pace in Montenegro, by 112 percent or 15 billion dinars (for a total of 28.3 billion), and in Bosnia

and Herzegovina, by 85 percent or 48.5 billion (for a total of 105.5 billion), Kosovo, by 83 percent or 6.8 billion (for a total of 15 billion), Servia less the provinces, by 80 percent or 123.8 billion (for a total of 278.8 billion), and Vojvodina, by 75.4 percent or 43 billion (for a total of 100 billion). Slower growth was recorded in Slovenia, by 56.1 percent or 39.9 billion (for a total of 110.9 billion), Macedonia, by 58.6 percent or 14.3 billion (for a total of 110.9 billion), and Croatia, by 45 percent or 52.4 billion (for a total of 196.7 billion dinars).

6115
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YUGOSLAVIA

DATA ON INCOME GROWTH IN 1984 REPORTED

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 18 Feb 85 p 28

[Item: "Less Depreciation"]

[Text] The net individual incomes paid were in the aggregate 46 percent higher in 1984 than 1983. The aggregate growth greatly exceeded the 1983 rate (29 percent). But this growth nevertheless does not fully make up for the depreciation resulting from inflation. It is also assumed (although there are no definitive data) that the aggregate volume of individual incomes has been delivered to a larger number of employees.

The highest growth of individual incomes in 1984 took place in Slovenia (55 percent) and Serbia less the provinces (46 percent). An increase of 45 percent was recorded in Vojvodina and in Kosovo, while in Bosnia and Herzegovina, Montenegro, and Croatia the increase was 1 percentage point lower. The most moderate growth was in Macedonia (39 percent).

From the viewpoint of individual activities, the fastest wage growth took place in the labor collectives of banks and financial organizations (52 percent), 62 percent in Slovene banks, but only 31 percent in those of Macedonia. They are followed by public activity OUR [associated labor organizations], in which the growth was 48 percent, being noticeably smaller in their labor collectives (40 percent). Labor collectives in Kosovo were an exception, the earnings increase in them (70 percent) being greater than in the OUR themselves.

The aggregate income growth was somewhat slower (46 percent) in government labor collectives, agencies, and organizations than in public activities. Those in Slovenia were again in the forefront with 64 percent, as against a growth of only 38 percent for those in Montenegro.

The industrial OUR recorded an increase (46 percent) identical to that of the government labor collectives. The increase in industrial OUR labor collectives was somewhat slower, 45 percent. Only in Kosovo was the increase in the labor collectives (55 percent) greater than in the OUR themselves (45 percent).

The aggregate individual incomes rose at a slower pace in special-interest labor collectives (40 percent), and the slowest among the so-called other public fund users (insurance collectives, self-management and other funds) (30 percent), while in Bosnia and Herzegovina incomes jumped 57 percent. In Macedonia the increase was only 10 percent among other public fund users, and there was an absolute decrease in wage payments in Montenegro and Kosovo.

6115
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YUGOSLAVIA

LITTLE DECISIVE ACTION IMPLEMENTING BANKRUPTCY LAW

Belgrade BORBA in Serbo-Croatian 18 Feb 85 p 3

[Article by Dj. Kesic: "Losing Businesses Fare Well"]

[Text] Following the latest amendments and additions to the institutional law on rehabilitation and liquidation of labor organizations, we may ask how near this legal measure has brought us to, or how far it has moved us away from, the stabilization program.

Proclaimed at one time as a rigorous measure which would separate work strictly from non-work, the institutional law on rehabilitation and liquidation of labor organizations is even farther from living up to its name or accomplishing its purpose following introduction of the latest amendments and additions. Almost nothing has remained of the interpretations made nearly 2 years ago, when the first version of this law was proposed, to the effect that losing businesses in the Yugoslav economy would be liquidated for operational inefficiency and insolvent ones would be subjected to "special treatment."

Such was the first echo of the debate last week in the Federal Council of the Yugoslav Assembly, where the amendments and additions to the law on rehabilitation and liquidation of labor organizations were enacted. The essential feature of the changes is that collectives operating at a loss are now allowed to pay the average individual incomes of the last year or the last accounting period rather than the guaranteed individual incomes.

Transitional Period

Labor organizations which continue to operate at a loss in the new year, according to the temporary provision enacted, which is supposed to be in effect for only 1 year, may also pay individual incomes at the level of the previous year's average. They are thus enabled to evade application of article 7a of the mutual settlement law, that is, to avoid paying the guaranteed individual income to their employees, and so losing businesses have fared better than was to be expected.

The Assembly debate on this legal document was awaited with great interest. However, the parliamentary discussion was marked by efforts to moderate the effects of the solutions offered even further for some economic organizations.

In voting for this decision, the Federal Council delegates obliged the Federal Executive Council to examine the situation of certain sectors and major systems by the end of March 1985 and if necessary to recommend criteria applicable to exemptions. On the other hand, federal government representatives

have advocated a strict resolution to apply the law without exceptions. According to these representatives, this would contribute toward slowing down these generators of inflation. To all appearances the debate in the Assembly on the law on rehabilitation and liquidation of labor organizations has ended for 1985. However, the question is how near this latest legal measure brings us to or how far does it move us away from the stabilization program.

In the delegate debate the definition of the "transitional period" in terms of time was mentioned on several occasions. It appears to be a precise one and has determined the current economic potential in relation to a possibly more rigorous application of the rehabilitation law. Does this also apply to the stabilization program?

Without Due Proportion

As was brought up several times in the debate, it is not altogether the fault of many labor organizations, sectors, and systems that they operate at a loss. We need only point out the dictated prices of goods and services, temporary and interventional measures, and the different business conditions and economic fragmentation in the individual republics and provinces. In addition, these and many other misfortunes have taken a high proportion of workers in direct production to the verge of dire poverty. All this has led to the forced halfway solution.

This is one side of the coin. On the other, viewing our economic relations as a whole, we see that these halfway solutions will accomplish little, especially when it is a question of institutional laws.

In view of all that has been said, a much broader and more comprehensive delegate discussion was anticipated, but no such discussion was forthcoming. However, with no sense of proportion and taste but with much more fire and enthusiasm, a debate was held on the same day in the Assembly building on the porposed amendment of the law on the individual incomes of officials appointed by the Yugoslav Assembly. Previous legal measures were characterized by omissions which should be remedied. There was no quarrel over the fact that delegates holding positons on the working bodies of the Assembly receive the supplementary official's pay (around 6000 dinars per month), but a debate lasting several hours was evoked by the idea that all the delegates serving on the Federal Council should receive the same pay. We know that in one chamber half of the delegates are professional people, while the other delegates are from the associated labor sector and are paid at a different level. At times the debate took an unpleasant turn, inducing Delegate Bor Temenugov to say that "we should have been ashamed of ourselves. A little earlier we had passed the rehabilitation law, and no one mentioned the situation of underground miners. But we spared no words when our own salaries were involved." All matters should, of course, be cleared up in a delegate debate, but on the condition that every problem is treated adequately and in proportion. Such was not the case this time.

6115
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YUGOSLAVIA

MACEDONIAN AGRICULTURAL NEED FOR INTEGRATED YUGOSLAV MARKET

[Editorial Report] Reports in BORBA (Belgrade, 24, 25 April 1985, pp 4 and 3, respectively) on the 24 April 1985 Macedonian LC Central Committee meeting which discussed agricultural problems in this republic indicate Macedonia's particular need for a country-wide agricultural strategy.

The report in the 24 April 1985 issue notes that more than 30 percent of the arable land in Macedonia is now irrigated and that Macedonian agriculture provides significant market surpluses of rice, tobacco, vegetables, grapes, and wine which are sold on both the domestic and foreign markets. "But despite these results, the status of Macedonian agriculture is not satisfactory, primarily because...it is developing as a national [republic] agriculture and then also as a number of [smaller] opstina agricultures. Because of the fact that there is not a unified market and that the dinar is still not a uniform media of payment on this market, Macedonian agriculture must produce everything that is needed by the population of this republic. The encapsulation of Macedonian agriculture is...also one of the main reasons for losses which climbed last year to 24 billion dinars; [because] namely, all agricultural combines in the republic are only formally, but not in essence, associated. A good deal has been invested in Macedonian agriculture, so it has...modern equipment. But it has large and growing debts. Last year, on the basis of the negative foreign exchange differences, indebtedness increased by almost 33 percent, and this year it is expected to increase more than 37 percent.... To compensate for the foreign exchange differences this year (which will amount to 1,562,000,000 dinars), 234.5 million dinars will be needed. No one is under the illusion that Macedonian agriculture could surmount such a problem by itself."

Firuz Demir, member of the LC CC Presidium of Macedonia, said (according to the 25 April issue of BORBA) that agricultural production growth in the republic has been declining in the last few years, plan tasks had not been achieved, and this has had a negative effect on the total economic development of the republic.

"Especially worrying is the situation in the agricultural combines which are supposed to be the basic bearers of agro-industrial development. They have not fully met this task because of autarkic development, low labor productivity, poor use of capacities, territorial encapsulation, excessive influence of the republic and opstina on combine development, and the

[unsatisfactory] structure of the leadership cadre.... Demir complained of disproportionately low investments in both the socialized and private sectors. He said the LC must join the battle against the territorially-fragmented production of large agricultural combines and "create the future outlook for self-management and income linking. There is no future for the production of food until steps are taken toward a unified acgicultural... development strategy in the entire Yugoslav area based on the natural complementariness of individual regions." Thus, Macedonia, using its natural advantages, would increase its production and processing of tobacco, vegetables, lamb, grapes and other fruit. At the same time measures should be taken now to alleviate the shortages of some consumer food products in the republic until agreement can be reached on a country-wide agricultural development policy and "regionalization" of production.

CSO: 2800/307

BRIEFS

URANIUM FROM FRG--The nuclear power plant in Krsko, the Ljubljana "Metalka" plant, and the West German firm Urangesellschaft in Frankfurt have concluded an agreement to purchase natural uranium for use by our nuclear power plant. "Metalka" will import uranium from this firm which offered the best sale conditions in open bidding. The value of the transaction amounts to $24 million. [Text] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 30 Apr 85 p 1]

FIRST DOMESTIC POSTAL COMPUTER--On 22 April the Novi Beograd post office put into operation the first domestically produced computer system called the TIM-100 (in reference to the team work necessary in its development and production). Involved in the project were groups of specialists from the Serbian PTT composite organization of associated labor (SOUR), the Mihailo Pupin Institute which undertook production, the Energodata enterprise which worked out the program, and organizations within the well-known Energoprojekt enterprise. The Boris Kidric Institute will work on the second level of production. It is expected that use of the computers will increase productivity 25 percent; and the basic system of production offers a technical basis for creating an information system for the entire Yugoslav PTT Association. By the end of the year 133 post offices in Serbia are expected to have the TIM-100; this represents 18 percent of the post offices in the republic but 70 percent of the total payments transactions which are made through the postal service. The entire work contracted for is valued at $650 million. [Excerpt] [Belgrade BORBA in Serbo-Croatian 23 Apr 85 p 12]

TRADE WITH SAUDI ARABIA--The most important export item to this country is electrical equipment which has accounted for 40 percent and more of our total exports to Saudi Arabia from 1979 through 1983. Next in importance are buses and other motor vehicles (the Maribor TAM plant has concluded a 5-year agreement which provides for at least $4 million in sales annually) then furniture, lumber, etc. Exports (in millions of dollars) were as follows in the years indicated: 1979, 17.69; 1980, 37.45; 1981, 32.90; 1982, 42.39; and 1983, 64.82. Imports were as follows (in millions of dollars): 1979, 0.03; 1980, 0.13; 1981, 74.07; 1982, 76.71; and 1983, 0.09. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 10 Apr 85 p 10]

SHIPBUILDING PLANS--The current medium-term plan calls for building 131 ships for the maritime fleet, or 1.37 million GRT. In the last 4 years 28.4 percent of this plan was met: 15 ships of 267,983 GRT were built, while 8 new ships

of 79,507 GRT were imported, and 9 used ships were purchased of 22,126 GRT. During this current plan also 55 ships of 290,000 GRT were retired, so by the end of last year our fleet totaled 325 ships of 2,644,000 GRT, or 4 million tons of carrying capacity, while the average age of our ships was 17.1 years. In regard to river shipping, only 25 percent of the total plan for purchasing new capacities was realized. Thus, one-half of river-shipping vessels are over 25 years old, with a large number over 40 and even 50 years old. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 9 Apr 85 p 4]

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